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(2nd Quarter of FY 2006)

Transparency, Anti-Corruption and Accountability Program
Task Order Number DFD-I-03-03-00139-00

GUATEMALA, PANAMA, NICARAGUA AND EL SALVADOR

Revised version
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A. EXECUTIVE SUMMARY

This quarterly report covering the period April 1 through June 3, 2006, is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Transparency, Anti-corruption, and Accountability Program (T/AC) and includes the individual reports for Guatemala, Panama, Nicaragua and El Salvador.

During the reporting period the overall T/AC Program in the four countries has continued to move forward and achieve progress at a faster pace, particularly with the approval by USAID of the Work Plans for El Salvador and Nicaragua. At the same time, USAID has announced significant budget cuts for Panama and El Salvador, which will bring about the need for changes/adjustments, especially in these two Programs. It is expected that during the next reporting period USAID will issue an RFTOP requesting C&A to develop proposals containing revised country specific annexes for all participating countries. During the reporting period, the T/AC Program already initiated consultations with the USAID CTOs to arrive at a mutually agreeable redefinition of the country annexes based on the new budget realities.

Following is a brief summary (highlights), by Sub Intermediate Result (Sub IR), of the country-specific progress that has been achieved during the reporting period:

GUATEMALA

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

- During this period, the T/AC Program put forward the development of a national transparency approach, and the Manager of the Presidency Roberto Gonzalez Diaz Duran has become the new GOG actor demonstrating interest and concern about an anti-corruption strategy by requesting support from the T/AC Program, and presenting a Transparency Policy Reform Agenda concerning at least eight important GOG issues.
- The GOG also launched different Dialogue Tables with civil society organizations including one on Transparency and Anticorruption in which the participants would discuss transparency actions that might support the GOG Transparency Policy Reform Agenda. As for encouraging this Agenda, the T/AC Program is committed to both lines of actions. In response to the GOG demand, the T/AC Program has contracted a short term consultant to help the Presidency Manager follow up on the transparency agenda and the Transparency Dialogue Table outcomes.

- The T/AC Program continues providing support to the Presidential Commissioner for Transparency and Anti-corruption in organizing the XII Transparency International (TI) World Conference. The consultant hired by the Program is involved in the logistics and has been a key person in the progress achieved to date. A private company will be in charge of the organization during the Conference. On May 22 a reunion with the Presidential Commissioner for Transparency and Anti-corruption and Transparency Donors Table participants was held for everyone to become more familiar with the approach to organizing this conference.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

- The T/AC Program continues supporting activities to implement the Access to Information Presidential Decree by training public sector officials at the National Institute for Public Administration (INAP) to provide them with the tools necessary to address requests for information from the general public. The next training activities will take place in Guatemala in August.
- The Program has agreed with Accion Ciudadana (AC), through the “Promoting Transparency II” grant to develop the Guatemala baseline for the map of indicators that will track Government compliance with IACC commitments, and the qualitative and quantitative indicators that will assist in measuring the progress of free access to information in the country.
- Corporación Latinoamericana para el Desarrollo (CLD), an Ecuadorian organization has elaborated the IACC strategy and action plan for the Judiciary.

LLR 2.1.3: Improved national government budget transparency, management and execution

- USAID received a request from the Secretaría de Coordinación Ejecutiva de la Presidencia (SCEP), to contract Accion Ciudadana (AC) to examine the management of the “Programa de Apoyo Comunitario Urbano y Rural (PACUR)”. The T/AC Program awarded the contract, and, after several meetings with the SCEP Secretary and USAID, the SCEP Secretary accepted the recommendations given by AC to be implemented during 2006.

LLR 2.1.4: Systematic Government deficiencies identified and addressed in key line ministries

- Since the T/AC Program is working very actively in furthering a reform agenda aimed at improving transparency in key areas, and based on the National Integrity System (SNI) developed by Accion Ciudadana (a tool that portrays the actual situation within a wide range of public sector institutions and lays out the areas in which anti-corruption activities need to be focused) the GOG planned a Transparency Policy Reform Agenda which the T/AC Program is supporting.

- The Stan Storm in October 2005 also opened up a window of opportunity for the T/AC Program to provide technical support in the development of a GOG Transparency Plan for the Stan Reconstruction Program. The GOG through its Vice-President Manager's Office has requested technical assistance to develop periodical accountability reports at different GOG levels, and to implement a system to gather opinions and demands from the citizens to monitor the Reconstruction Program.
- The T/AC Program worked with the Comisión Presidencial para la Modernización y Descentralización del Estado (COPRE) in the development of two activities: 1) a process of incidence and policy dialogue to promote the approval of a GOG proposal to the National Congress that contains substantial reforms to the existing Procurement Law and 2) an activity to address petty corruption through bureaucratic simplification assessments in two or three key GOG agencies and the implementation of new procedures to reduce windows of opportunity for administrative corruption.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

- Nineteen Guatemalan participants were registered to participate in the Organization of American States (OAS) training course on E-government. Six of the seven participants from the National Congress and eleven from the twelve participants from different GOG agencies coordinated by COPRE were able to finish the course. The other two remaining will participate during the next e-government course as they had technical problems in their registration. The other seventeen participants presented their own projects to obtain their diplomas.
- After the Program Technical Committee awarded Accion Ciudadana the "Promoting Transparency II" grant, AC asked for approval to follow up on the previously developed corruption perception and experience index (IPEC) by publishing the survey results and press releases as well as presenting the results through a public debate.

LLR 2.1.6: Key oversight agencies strengthened

- The National Congress President has requested USAID and the T/AC Program support to own the Congressional website software and set up a booth to provide congressional information to the public. The Congress has submitted website technical and cost proposal, and an IT specialist is providing technical assistance during the negotiation with the company that is providing the services.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

- The T/AC Program has involved the Decentralization and Local Governance Program of USAID in the development by AC of a guide to social auditing Accion Ciudadana will proceed to print this guide to be used during its social audit training.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

- During this quarter the T/AC Program established contacts with several CSO and other private sector stakeholders to identify and delineate new ideas for Program interventions and/or support, and devoted significant time in two events: 1) analyzing several activity proposals from civil society organizations, and 2) initiating the Civil Society Social Audit Competitive Fund process.
- Some others proposals have been accepted and grants have been signed during a special ceremony on May 25 with USAID attending as an honorary witness. These are Coalición por la Transparencia (Accion Ciudadana, Cámara de Comercio, CIEN), el Periódico, Acción Ciudadana, Centro para la Acción de la Responsabilidad Social Empresarial (CentraRSE).
- Accion Ciudadana continues with social audit activities related to the GOG Reconstruction Program. During a press conference on May 17 AC presented their first social audit and monitoring report of the GOG Reconstruction Program. The Government representative, Vice-president Manager Aguirre, placed particular emphasis on the recommendations given and promised to fix GOG actions.
- One of the most important developments in this area was the progress made by the T/AC Program on a Competitive Fund for Social Auditing, which is aimed at improving and increasing the participation of civil society organizations (CSO) in the oversight of how the GOG manages public affairs and resources. The best six scored projects were granted to associations working on gender and womens issues, ethnic and indigenous advocacy policy, social audit processes, and three in-country CSO that monitor and observe local issues including one integrated by young people. The total amount of the six grants to be awarded in July is approx \$ 99,612.
- The total amount of grants awarded to civil society organizations from different Guatemalan sectors during this period is approx. \$ 482,612.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

- The T/AC Program also awarded an unsolicited proposal coming from Centro para la Acción de la Responsabilidad Social Empresarial (CentraRSE). This proposal

contemplates Program funding (along with other resources from UNDP) for the elaboration of a Guide on how to develop Ethics Codes, as well as the implementation of three sectoral Ethic Codes for the private sector. The elaboration of the guide and codes are proposed to be accompanied by training, consultancies, dissemination of materials and awareness activities all directed towards the implementation by the private sector of ethics codes to be in place within a one-year period.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

- The first activity presented by El Periodico consists of an open essay contest on the prevention and penalization of corruption in the public sector. The closing date to deliver essays was May 21 at AC headquarters, and sixteen essays were received. The Jury has been formed and convoked to start checking each of the essays. The Jury is composed of two representatives from Accion Ciudadana, representatives from the media (elPeriodico) and a representative from the US Embassy.
- The unsolicited proposal on citizen journalism presented by el Periodico was also accepted by the Program to promote the active participation of the public at large in denouncing corruption cases as well as in writing articles and/or comments on transparency and anti-corruption issues. El Periodico proposes to promote the idea within the general public and to collect and edit all the pieces written by common citizens and put them together in a magazine that will be published monthly as an annex to the regular issue of El Periodico.

D. SUB IR 2.4: Accountability of elected and appointed officials approved

LLR 2.4.1: Political Party and elected leaders accountability improved

- The Nicaragua Transparency and Anticorruption Program and IFES, as part of the CAM Project, have been preparing a regional political party finance conference. Guatemala T/AC Program following the multi-country approach and the importance of exchanging experiences has anticipated the participation of ten officials from civil society coalitions, the National Congress and representatives from political parties and the media.
- The Electoral Supreme Court (TSE) has been charged by the Office of the Comptroller General for not following the procurement procedures. USAID and the T/AC Program participated in a conference for TSE Magistrates donors to provide clarification on the charges. The Program has seen a new window of opportunity to equip the TSE to improve their practices, and is coordinating with an Electoral Program funded by OAS and USAID in order to identify TSE needs.

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

- The T/AC Program is presently coordinating with other donors (UNDP) and civil society organizations regarding its role in the implementation of the Probity Directorship Action Plan within the Office of the Comptroller General.

NICARAGUA

- Acceptance of proposed modifications in compliance with IACC and UNCAC to Nicaragua's Penal Code for consideration by the NA.
- FVBCh grant's National Assembly "observatorio plays key role in discussions of Access to Information legislation.
- Extension of municipal level activities and technical assistance to five geographically and socio-economically diverse cities.
- IACC Civil Society Follow-Up Group assumes ownership role in promoting GON compliance with recommendations.
- Agreement signed with SEJUVE for national youth survey initiated July 2006.
- Training of six journalists in Panama in "Investigative Journalism: The Anatomy of Power."
- Subcontracting of IFES for political finance monitoring activities through general election period and beyond.

PANAMA

Sub IR 2.1: More transparent systems for management of public resources by the national government

- Motivating a much needed self-introspection process at the National Anticorruption Council (NAC) with the purpose of revisiting its goals and achievements to date. The Program secured the collaboration of the President's Chief of Staff in this effort, whose active involvement is vital to moving the Council's strategic objectives forward.
- Assisting NAC's Executive Secretariat in drafting a project to monitor compliance with international anticorruption conventions. This prompted the Inter-American Development Bank's approval of a non-reimbursable fund of \$110,000 for its implementation.
- Providing technical support to NAC's Executive Secretariat in the design and launching of seminars, training programs and public outreach activities.

- Advancing the process to set up a single and revamped entity at the Attorney General's Office responsible for prosecuting high profile corruption cases. One of the key features of this project was the creation, at the Program's request, of an internal committee that will oversee the execution of our recommendations to streamline corruption investigation strategies and techniques. The Program managed to involve more than 19 top-ranked officials from the Attorney General's Office in the committee's work.
- Drafting the syllabus, in conjunction with the Institute of Criminology of the University of Panama, of a comprehensive training plan on the Criminal Investigation of Corruption. This course, to be offered as a postgraduate certificate, will be directed to the staff of the Anticorruption Public Prosecutor's Office currently in formation.
- Finalizing the agenda and methodology of a regional workshop of Attorneys General on best practices for the criminal prosecution of corruption and the recovery of ill-gained assets. The Program is organizing this event in collaboration with the Attorney General's Office of Panama and the US Embassy. The Chief Public Prosecutors of Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua are expected to attend this encounter. Furthermore, at the Program's suggestion, the U.S. Deputy Attorney General will be featured as speaker at the closing session of the event.
- Obtaining approval by the plenary of the Supreme Court to carry out a project to "promote transparency and prevent and detect corruption within the Judiciary". Subject to USAID's approval, the project is expected to be launched in September 2006.
- Gathering a multi-agency group of GOP officials (from the Office of the Comptroller General, the Attorney General's Office, the Judicial Police and the Financial Intelligence Unit) who were trained simultaneously on Fraud Auditing methodologies. All of these agencies are involved, at different levels, in the prosecution of corruption, thus the relevance of coordinating their efforts and improving their capacity to detect and investigate fraud.
- Exposing the Comptroller General of Panama to best practices in government auditing by arranging a series of meetings for him with the U.S. Comptroller General, the Inspector General of USAID, the Inspector General of the Department of State and World Bank and Inter-American Development Bank Officials whose functions relate closely to those of Supreme Audit Institutions.
- On June 10, the National Assembly approved a new Public Contracting Act. During the Act's consultation stage, the Program contributed with observations and comments that were reportedly incorporated into the final draft. This law allows for the use of IT and web based technologies in connection with public procurement mechanisms. This is intended to expedite and make government contracting processes more transparent. Its application will be mandatory for all

government agencies (central, autonomous and semi-autonomous entities) and for those entities where the State is a major stockholder.

Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizens' needs.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other Sub-IRs where its contributions are expected to have the most impact.

Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making.

- Promoting compliance with the recommendations issued by the Justice Sector Reform Commission through monitoring activities conducted by Alianza Ciudadana, the Program's grantee.
- Securing support and involvement of the private sector in a public outreach campaign aimed at promoting ethical values nationwide. The Panamanian Credit Agency was the first private sector entity to endorse the use of the anticorruption logo, one of the key features of such campaign, through its credit reports and its website (a universe of 800,000 clients).

Sub IR 2.4: Accountability of Elected and Appointed Officials Improved.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other Sub-IRs where its contributions are expected to have the most impact..

EL SALVADOR

Sub IR 1.1: Improved Transparency and Efficiency of Judicial Processes

- Served as liaison and sponsored a forum on Judicial Corruption and Problems in Central America, between key civil society organizations, judicial institutions and the Due Process of Law Foundation from Washington DC, represented by a group of specialist from various Latin American countries
- Took advantage of the presence of a high level professor of law from Duquense University, and in cooperation with a judicial transparency coalition of El Salvador, sponsored a conference on Governmental Accountability that was attended by more than 100 participants

- Continued conversations with the National Judicial Council to streamline the scope for the technical assistance that the Program is planning to provide to the School of Judges, a new curriculum with components on National Budget Execution; Public Procurement Law; Inter-American Convention against Corruption; Transparency in the Judicial Process and the new Governmental Ethics Law.
- Promoted the awareness of the Inter-American Convention against Corruption by sponsoring fora and roundtables with judicial authorities, civil society and the private sector with the contribution of a high level Chilean jurist and expert on international anticorruption legislation. The fora were conducted in the capital city of El Salvador and in the city of San Miguel. The openness and interest expressed by all participants during these events proved that improvement in transparency in the justice sector can be attained.

Sub IR 2.2 Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens Needs

- Supported the National Council of Local Development, CONADEL, with a local legal consultant in designing and drafting a new Municipal Property Tax Law, as a new alternative to generate funds for local governments. El Salvador is the only country in Latin America that does not impose a property tax. This multi-consulting effort is closely shared and coordinated with the Donor Network for Local Development.
- Facilitated a discussion space for CONADEL with the participation of the Universidad Centro Americana Jose Simeón Cañas, on the Property Tax Law. The presence of the experts of the Lincoln Institute of Land Policy from the USA and various Latin American countries enriched the level of discussion by sharing the Lincoln Institute experience throughout the Americas.
- Continued to support CONADEL in the implementation of its National Agenda towards the establishment of a decentralization policy framework, seeking new alternatives for the financing of local development. The TAG Program is supporting a Policy Coordinator by allocating program resources and office space. Having an expert of his level in the Program office contributed greatly to the implementation of activities with the local government.
- Collected information on the research for the Rapid Assessment to analyze the current municipal system of transparency in El Salvador. Several meetings and interviews were held with key stakeholders of the various institutions linked to the municipal sector, including political party leaders, to conceptualize and define a

transparency mechanism and build action lines to strengthen the implementation of the new Municipal Code.

Sub IR 2.3: More Opportunities for Citizen Participation in and Oversight of National and Local Governments Decision-Making

- Considering the importance of the implementation of the ICAC by El Salvador, the Program promoted a series of activities toward the dissemination of this issue, creating interest of the corresponding authorities on this important international commitment. A high level Chilean jurist was brought to the country to support these events by presenting his experiences as expert on international anticorruption legislation to a selected group of judges and lawyers. He was influential in enlightening civil society on the opportunities to monitor the implementation of convention's commitments.
- Efforts for the formation of a civil society coalition are in progress. The NGO Probidad as the main promoter and a group of organizations have been meeting and discussing possibilities and alternatives for the formation of a coalition for transparency and anti-corruption. The Program has been closely monitoring its organizational development, attending their meetings and sharing information with the participants, and is presently preparing a proposal, based on the approach of the previous consultancy done by PDC, on the subject matter.
- Promoting the ICAC with the private sector has been in the agenda of the TAG during this reporting period. During the visit of the Chilean jurist, the Program organized a roundtable with the representatives of National Association of Private Sector (ANEP) to discuss specific issues related to this convention, such as the importance of the promotion of more transparent and accountable practices in the private sector, conflict of interest, the Procurement Law (LACAP), and the Government Ethics Law among others. The meeting was attended by about 20 representatives of the association and the TAG team.
- The process of awarding grants under the Small Grant Fund continued from our previous report. The Program received about 40 proposals, and after a very laborious and transparent process these proposals were read and individually evaluated by the designated review committee. This included the participation of the legal counsel of the Program to oversee the compliance to legal aspects of the requirements. At the end of the prequalification phase, it was agreed that only 17 complied with all the requirements, and after a more thorough review, 8 proposals qualified to be submitted for USAID concurrence. A new round of grants is planned to be announced during the upcoming reporting period. Although the program made efforts to familiarize the participating organizations in presenting proposals appropriately, a very small number of proposals fully complied with the requirements.

Sub IR 2.4: Accountability of Elected and Appointed Officials Improved

- Completing a Rapid Assessment on Internal Control at the Public Defender's Office (PGR) was one of the most important tasks carried out by the Program, aimed at identifying the obstacles of properly implementing an internal control system in the PGR and achieving greater transparency. Through meetings and interviews, information was collected and processed and a report was prepared and submitted for USAID concurrence. Currently talks are being held with the officials of the PGR to identify specific areas where the Program can provide its assistance. Of particular interest are corruption opportunities in the administration of Alimony Payments, recruitment of personnel, procurement of goods and services, and unlawful charges by some public defenders responsible for penal cases.
- Due to the changes of high level authorities in the Attorneys General Office, and after the appointment of a new Attorney General, the Program resumed talks with the technical personnel of this institution to identify areas for assistance. The Anti-corruption Unit was selected as one area that needs attention. A diagnosis will be carried out to define specific support to this unit.
- Assisted the Consumer Protection Agency in defining the scope of work for a project to create new *Citizenry Letters of Rights from Public Services Providers* to promote transparency, accountability, clear rules, citizen participation, and access to information. The Program has recommended extending these letters to other areas beyond the health sector, such municipalities and the justice sector.
- The new Government Ethics Law, approved on May 18th, is of great interest to the Program for assisting in various stages of its implementation. The formation of an Ethics Tribunal, as well as various institutional commissions, is of vital importance for the successful implementation of this law. Supporting dialogue, public awareness campaigns, training and lobbying will be key elements to consider working with state institutions and civil society organizations. The program envisions examining other countries' experiences to define the corresponding assistance.

GUATEMALA

Introduction

This quarterly report covering the period April 1 through June 30, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Transparency, Anti-corruption, and Accountability Program (T/AC).

I. Technical Update

i. Key Activities by Sub-IR and LLR for the Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 1 – Strengthened Rule of Law

IR 2 – Greater Transparency and Accountability of Governments

Executive summary:

During the reporting period, the T/AC Program devoted principal time and effort to the implementation of the Social Audit Competitive Fund and the revision of activity proposals coming from key actors in the public sector, civil society, the media and the private sector. As a result, several activities from the Government and civil society organizations are ongoing.

With respect to having a national anti-corruption/transparency strategy completed and implemented, GOG has selected the Presidency Manager to follow up on the Transparency Policy Reform Agenda. The GOG strategy was outlined based on the “Sistema Nacional Integrado” study funded by the T/AC Program through a grant awarded to AC . and research studies with outcomes as the one on “Discretionary Spending, key actions to gain transparency.” On the other hand, the The Program is supporting the GOG launching of a Transparency Dialogue Table with civil society organizations and other institutions that will support the implementation of the Agenda and the long term actions. It is expected that conclusions of the Transparency Table will also help the implementation of the commitments of the IACC.

The LOU signed with the Judiciary and the Supreme Court of Justice has reached to its main objective. The T/AC Program has provided support to develop a strategy and work plan to implement IACC commitments within the area of responsibility of the judicial branch. Corporación Latinoamericana para el Desarrollo has elaborated the strategy and action plan, and the T/AC Program has already delivered a copy to Magistrate Gilberto Chacón Torrebiarte to be approved and implemented within the Judiciary.

A concern closely associated with the discretionary spending research study done by Fundacion DESC and Accion Ciudadana was the Programa de Apoyo Comunitario Urbano y Rural (PACUR) corruption accusations. After USAID received a request from the Secretaría de Coordinación Ejecutiva de la Presidencia (SCEP) to contract Accion Ciudadana to examine this discretionary management program, the T/AC Program awarded this contract. This activity is the best example of how a civil society organization has influence in the GOG decisions, as SCEP Secretary accepted the recommendations given by the revision and stated that they would be implemented in 2006. Accion Ciudadana will continue to monitor the implementation of the suggestions.

During this period, the T/AC Program dedicated a lot of time to looking for new opportunities for citizen participation from different sectors. The Program awarded grants not only to civil society organizations, but to private sector associations and the media sector. In a ceremony on May 25 the T/AC Program signed four grants awarded to civil society organizations, the media and private sector.

The Program also developed the Social Audit Competitive Fund that is designed to attain quantitative and qualitative improvements in the participation of civil society organizations in the oversight of how the GOG manages public resources and affairs and to promote public policy reform resulting from social audits. As a result of this process, the T/AC Program has granted six small grants to organizations, whose focus range from gender to ethnicity.

With T/AC Program financing, Accion Ciudadana made public its first social audit and monitoring report of the GOG Reconstruction Program. The Government representative attending the press conference put special emphasis on and called attention to the recommendations given by AC and promised to fix GOG actions.

USAID, with T/AC Program support, continues leading a “Donors Table” among bilateral donors and international agencies to share information and coordinate efforts in areas of common interest and promote a transparency agenda towards the XII Transparency International World Conference. The “Donors Table” meets on a monthly basis to be better informed on certain subjects.

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented

As reported previously, limited and weak features of the Office of the Presidential Commissioner for Transparency and Anti-corruption have prevented thus far any significant progress in the development and implementation of a national anti-corruption strategy. However, the T/AC Program explored alternative opportunities within the GOG to promote the development of a plan, particularly taking into account that Guatemala must address this issue in preparation for the XII TI World Conference to be held in Guatemala City towards the end of the year 2006.

During this period, the T/AC Program introduced the idea of a national transparency approach, and the Presidency Manager Roberto Gonzalez Diaz Duran became the new GOG actor demonstrating interest and concern on an anti-corruption strategy by requesting collaboration with the T/AC Program. He also presented a Transparency Policy Reform Agenda concerning at least eight important GOG issues. These areas are associated with discretionary spending for social funds managing, trust funds managing, GOG procurement processes, GOG integrity offices, access to information, IACC implementation, oversight agencies strengthening, and transparency legal reforms. Most of these responsibilities belong to the GOG and do not have to be shared with State institutions.

On the other hand, the GOG also launched different Dialogue Tables with civil society organizations including one on Transparency and Anticorruption in which the participants would discuss transparency actions that might support the GOG Transparency Policy Reform Agenda. As for encouraging this Agenda, the T/AC Program is committed to both lines of actions. In response to the GOG demand, the T/AC Program has contracted a short term consultant to help the Presidency Manager to follow up the transparency agenda and the Transparency Dialogue Table outcomes.

Likewise, the T/AC Program continues collaborating with the organization of the XII Transparency International (TI) World Conference to the Office of the Presidential Commissioner for Transparency and Anti-corruption. The consultant is involved in the logistics and has been a key person in the progress achieved to date, as for the contract of a private company that will take in charge of the organization during the Conference.

On May 22 a meeting with the Presidential Commissioner for Transparency and Anticorruption and Transparency Donors Table participants was held to get to know the Organizing Committee Chairman as well as to learn of all details concerning the preparation of the XII TI Conference. The T/AC Program has been invited to participate as a permanent member/observer of the Committee and has attended the meetings.

The Program is also providing assistance with the GOG Transparency Agenda through other Executive Branch institutions. The T/AC Program supported the Secretaría de Coordinación Ejecutiva de la Presidencia (SCEP) with the Programa de Apoyo Comunitario Urbano y Rural (PACUR) redesign when corruption accusations were published in the media. The Program also continues collaborating with the Post-Stan Storm Reconstruction Program and other ongoing support given is explained in the following LLR's.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

During this quarter, a letter of understanding between the Coalición por la Transparencia, the National Congress Transparency Commission and Office of the Comptroller General has been renewed and signed to support necessary changes in this key institution in order to comply with the IACC Recommendations. The National Congress Transparency Commission has requested that the T/AC Program sponsor workshops to discuss an Action Plan to follow up not only the IACC recommendations

accomplishments but also on reaching the best results to support the Comptroller General Office Strengthening Plan as a result of the Coalicion por la Transparencia diagnosis.

The T/AC Program continues to support activities to implement the Access to Information Presidential Decree, in particular training of public sector officials at the National Institute for Public Administration (INAP) to provide them with the necessary tools to address requests for information from the general public. Next training activities will take place in August.

Access to Information is a topic included in the GOG Transparency Agenda. For this reason, the GOG plans to encourage the Executive Branch institutions to establish “Integrity Offices” to promote ethics among the bureaucrats. In parallel, the GOG Transparency Dialogue Table will discuss the best strategy to advocate the passing of the Access to Information Law already presented to Congress.



Training sessions to public sector official at INAP

As for civil society organizations, the Program has agreed with Accion Ciudadana (AC), through the “Promoting Transparency II” grant to develop the Guatemala baseline for the map of indicators that will track Government compliance with IACC commitments. Similarly, AC also developed a methodology containing qualitative and quantitative indicators that will assist in measuring the progress in free access to information in the country. Guatemala baselines for both indicators will be built during the following months. These measuring practices have been rated as pioneering and innovative by Transparency International associates.

The methodology description for both methodologies have been reviewed by civil society organizations, GOG and State Institutions even though AC has support from outside experts. It may take a considerable amount of time to establish clear indicators for the baselines.

The Program Technical Committee received a grant proposal from Accion Ciudadana and the DOSES Foundation to advocate the passage of the Access to Information law during the last quarter, but the Technical Committee has decided to put this grant on hold until the Transparency Dialogue Table participants decide what would be the best advocacy activities towards the approval of the law.

As a result of the Letter of Understanding signed between the Judiciary and USAID, the T/AC Program provided support to the Supreme Court of Justice to develop a strategy and work plan to implement IACC commitments within the area of responsibility of the judicial branch. To this effect, the Program contracted the services of Corporación Latinoamericana para el Desarrollo (CLD), an Ecuadorian organization. During the reporting period, CLD has designed the strategy and action plan, and the T/AC Program has delivered a copy to Magistrate Gilberto Chacón Torrebiarte, the Judiciary counterpart, with whom both the Program and Magistrate Chacon discussed the principal lines of action after this activity.

During the following quarter is expected the next events the following events are expected to take place: USAID will officially bring present the Strategy Strategic Plan to the President of the Supreme Court and Supreme Court Magistrates; the Supreme Court Magistrates will approve the Strategy Strategic Plan; the Supreme Court will open make the to public the Strategy Strategic Plan available to the public; the Judiciary will implement the Strategy Strategic Plan with USAID or any other donor support. other donors.

The Strategic Plan to implement the IACC within the Judiciary uses three main mechanisms: 1) preventive practices 2) process practices that can be tied together with claims of corruption and corresponding sanctions, and 3) punitive practices that correct corruption cases. At least 17 practices were developed, and widely discussed between CLD consultants and the Judiciary officials during a workshop. Each practice has been evaluated by feasibility. The Plan calls for implementation during the next five years, and even though it reflects the IACC concepts, the UN Convention against Corruption was also incorporated into the Plan, and many of the practices are closely related.

LLR 2.1.3: Improved national government budget transparency, management and execution

The Program, through the Fundacion DESC/Accion Ciudadana grant, approved the “Discretionary Spending, key actions to gain transparency” research study. The media coverage on the results of this study undoubtedly helped the general public to better understand the issues associated with politicized social funds and discretionary spending and the opportunities for open corruption associated with these funds. The study was also presented during a separate meeting with the Transparency Donors Table on April 25, and although the participating donors showed distrust of the GOG agencies on transparency in budget execution, the GOG responded with its Transparency Policy Reform Agenda, focusing on making legal reforms through Presidential Decrees to re-structure and include controls and regulations that will skip the discretionary use of funding.

An issue that is closely associated with the conclusions of the study mentioned above, USAID received a request from the Secretaría de Coordinación Ejecutiva de la Presidencia (SCEP), to contract Accion Ciudadana (AC) to examine the management of the “Programa de Apoyo Comunitario Urbano y Rural (PACUR)”, and present a technical proposal to redesign PACUR in order to ascertain its transparency and accountability. The T/AC Program awarded this contract, and after several meetings with SCEP Secretary and his staff with AC, and USAID and T/AC Program as observers, the SCEP Secretary accepted the recommendations given to be implemented during 2006.

LLR 2.1.4: Systematic Government deficiencies identified and addressed in key line ministries

The T/AC Program is working very actively in furthering a reform agenda aimed at improving transparency in key areas. Activities such as the ones mentioned for the previous LLR are also very closely related to the present LLR. Again, the National

Integrity System (SNI) developed by Accion Ciudadana, a tool that projects the actual situation within a wide range of public sector institutions and lays out the areas in which anti-corruption activities need to be focused, was used as a base for the Transparency Policy Reform Agenda which the T/AC Program is supporting and willing to support any other institution that may be interested in working towards that objective.

The PACUR redesign introduced by Accion Ciudadana to SCEP incorporated a new Procedures Manual to control and evade corrupt practices, especially concerning the use of project funds for political purposes. Some procedures included in this manual are to limit the type of projects funded by the PACUR Program, better define the beneficiaries (according to poverty maps), create an internet-based portal to follow up on the requests through a public registration, promote accountability reports, promote access to information to oversee and audit the budget execution, and use the GUATECOMPRAS system according to the legal framework established.

The Stan Storm in October also opened a window of opportunity for the T/AC Program to provide technical support in the development of a GOG Transparency Plan for the Stan Reconstruction Program. As a result after the weak response from the Office of the Presidential Commissioner for Transparency, the Program encouraged the Vice-President Manager Office in charge of the GOG Reconstruction Program managing, and has already identified their needs.

In January, during his first Reconstruction Accountability Report, the President and his cabinet publicly signed an Integrity and Access to Information Commitment with International Agencies, State institutions and civil society organizations. Through this commitment the GOG is will facilitate the information needed to conduct a social audit of the Reconstruction Program, develop periodical accountability reports, and implement a system to gather opinions and demands from the citizens to follow up on the Reconstruction Program. As for these commitments, the GOG through its Vice-President Manager Office has requested technical assistance to fulfill the last two promises. Consultant's terms of reference have been agreed upon and it is hoped that an international consultant will assist them during the next reporting period.

The Secretaria de Obras Sociales de la Esposa del Presidente (SOSEP), has requested assistance to the T/AC to implement a system that would assist in making the the Social Service and Donations Program that the institution manages more transparent. SOSEP has been in charge of managing donations from abroad for social purposes, but it also has been accused of getting goods not related to social purposes. Even though SOSEP has been trying to address to these accusations, its objective is to implement an internet and interactive based system to assist in making all the procedures for obtaining donations from abroad more transparent. During the reporting period the SOSEP request has been studied by the Program Technical Committee and the Technical Committee has demanded more information to decide if it can be done during the next quarter.

The Instituto Guatemalteco de Seguridad Social (IGSS) has also requested assistance to design a Transparency Plan within the institution. IGSS continuously receives corruption accusations especially related to public services, and in response the IGSS Board has created a Transparency Office to implement a strategic plan. The Program's Technical Committee has reviewed the terms of reference for this consultancy and is waiting further information.

The T/AC Program has continued to maintain dialogue with the Comisión Presidencial para la Modernización y Descentralización del Estado (COPRE) in an effort to organize a follow-up conference of the Good Governance Forum that took place in Mexico in November, 2005. Fourteen participants from Guatemala attended this forum.. The idea is to explore opportunities for public policy reform in areas such as administrative corruption, civil service and public employee's letters of commitment, among others. Dates, agenda and cooperation from the Mexican Government will be determined during COPRE Presidential Commissioner's trip in July.

As reported, the T/AC Program worked with COPRE in the development of two activities, a process of incidence and policy dialogue to promote the approval of a GOG proposal to the National Congress that contains substantial reforms to the existing procurement law. This procurement law is aimed at improving transparency in this key area. An activity to address petty corruption through bureaucratic simplification assessments in two or three key GOG agencies along with the implementation of new procedures to reduce windows of opportunity for administrative corruption are also being planned. While these two activities have been approved by USAID and the T/AC Program, COPRE has also been informed that the Program won't disburse money to the first activity until de Transparency Dialogue Table participants agree on which law proposal to advocate.

Regarding the second activity, COPRE made a list of institutions that would need support to introduce bureaucratic simplification processes, and has agreed with the T/AC Program to hire a consultant to analyze the best two institutions that could benefit from simplification processes. More information on this activity will be given during the next reporting period.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

During this quarter, nineteen Guatemalan participants were registered to participate in the Organization of American States (OAS) training course on E-government. Six of the seven participants from the National Congress and eleven from the twelve participants from different GOG agencies coordinated by COPRE were able to finish the course. The remaining two will participate during the next e-government course as they had technical problems in their registration. The other seventeen participants presented their own projects in order to receive diplomas.

OAS tutorial report shows that participants were able to complete their tasks even though they are considered high-level staff.. Some of the participants' projects are related to e-government being implemented within the National Congress, environment information sharing, standardization of public services and procedures through internet base, loans on line, online training, mailing online, etc. COPRE also gave out diplomas to their participants, and announced that they will follow up on the implementation of the best projects through their e-government office. This coordinating institution is interested in promoting a new course and a special edition for Guatemala.

National Congress participants showed great interest in the e-government course too, especially in getting to know other countries' experiences. Their projects illustrate how

to implement new information and communication technologies to be used in the National Congress Library and during the Congressional Commissions sessions.

After the Program Technical Committee awarded the “Promoting Transparency II” grant to Accion Ciudadana, AC asked for approval to follow up on the corruption perception and experience index (IPEC) that was previously developed. Other activities approved to get underway are a public presentation to introduce the IPEC survey results, publishing of an IPEC report and press releases to promote a debate on some of the outcomes.

LLR 2.1.6: Key oversight agencies strengthened

During the reporting period, the T/AC Program has been actively engaged in contact and dialogue with the National Congress (Legislative Branch), and has agreed on priorities for 2006. The National Congress President has requested USAID and the T/AC Program’s support to own the software management, to administer the Congressional website, and the to set up a booth where congressional information can be provided to citizens.

The Congress has sent the website technical and cost proposal for the website and after some meetings with the Program and USAID staff, the Program has contracted an IT specialist that can provide technical assistance during the negotiation with the actual company providing the services. The Congressional website is to offer some interactive modules to provide better and more information to citizens. The Citizen Booth has been planned for the following reporting period, and the Program Technical Committee is reviewing the project.

After the T/AC Program approached Congressional Commissions such as the Probity and Transparency Commissions to learn more about their activities and to offer their technical assistance, the Congress Transparency Commission has requested support to workshops available to discuss an Action Plan for the Office of the Comptroller General (OCG). This Action Plan would be based on the results of the OCG diagnosis conducted by Coalicion por la Transparencia. The Transparency Commission expressed their interest in improving its mandate to carry out oversee the Office of the Comptroller General’s responsibilities, and, as an initial step, they renewed a letter of understanding (LOU) that was originally signed in 2004. This LOU is an agreement between civil society, the Congress and the Office of the Comptroller General to strengthen the capacity of the OCG to fulfill its mandate.

With regards to the OCG, the T/AC Program is still waiting for the completion of an assessment of the Office of the Comptroller that is being conducted by Coalicion por la Transparencia with UNDP financing. This assessment is expected to identify the specific interventions that are required to improve the operation of the OCG. The T/AC Program will play a role in the implementation of the recommendations of the assessment and will coordinate with UNDP and other actors in order to provide technical assistance to the Probity Directorship of the OCG.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

The T/AC Program has had several coordination meetings with other USAID Programs on the subject of social auditing at the local level. A new document (guide) on social auditing is being developed by Accion Ciudadana within the Reconstruction Program Social Audit Project. The T/AC Program has involved the Decentralization and Local Governance Program of USAID in the social audit guide designed by Accion Ciudadana, and has already agreed with its main concepts. Accion Ciudadana will proceed to print this guide to be used during its social audit training.

In addition, the T/AC Program will organize a workshop during the next quarter to deliver and validate with civil society groups a document containing a list of organizations working on social audit obtained in a previous workshop from a former Transparency Program, and share the new social audit guide.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

During this quarter the T/AC Program established contacts with several CSO and other private sector stakeholders to identify and delineate new ideas for Program interventions and/or support, and devoted a significant amount of time to two events: 1) to analyze several activity proposals from civil society organizations, and 2) to initiate the Civil Society Social Audit Competitive Fund process.

Some of the activities proposals received by civil society organizations are still being discussed, such as the ones from Grupo de Apoyo Mutuo – GAM, or CIIDH; The proposals received from DOSES and Accion Ciudadana have been put on hold. These proposals are aimed at lobbying for the passage of Freedom of Information legislation that is presently before the National Congress.

Some others proposals have been accepted and grants have been signed during a special ceremony on May 25 where USAID attending as an honorary witness. These are Coalición por la Transparencia (Accion Ciudadana, Cámara de Comercio, CIEN), el Periódico, Acción Ciudadana, Centro para la Acción de la Responsabilidad Social Empresarial -CentraRSE.

Coalición por la Transparencia will monitor the election process of the new Comptroller General to take place in October 2006. The coalition will be issuing press releases expressing the importance of the Office of the Comptroller General and its role as a key oversight institution, the coming election of the new Comptroller General, and risk areas in the institution. They will also share and make statements on basic principles that should prevail, such as as probity, accountability, social audit and budget transparency. Before the elections , they will have meetings with journalists and leaders to discuss the process.

The previous grant awarded to Acción Ciudadana was aimed at addressing the concerns over transparency by promoting the IACC implementation, new methodologies and indexes.., , This grant has resulted in enough awareness to conduct steps toward fighting corruption. Accion Ciudadana, as part of the civil society role, has planned new activities to monitor and follow up on the advances that GOG has committed, as well as to talk about the best transparency practices. Consequently, Accion Ciudadana identified working areas during the continuation of a new grant awarded, and has brought specific work plans to be approved by the Program Technical Committee.

During this period, four work plans have been agreed and they are associated with having Guatemala baselines to the access to information index and IACC map of indicators degree of compliance, transparency in social investment and discretionary programs, and follow-up activities, such as IPEC dissemination.

With T/AC Program financing, Accion Ciudadana continues with social audit activities related to the GOG Reconstruction Program. After AC has taken steps to establish contacts and a network of partners to implement social auditing and monitoring of the reconstruction in the three Departments (San Marcos, Quetzaltenango, Sololá) and twenty Municipalities, they are now very involved with the training of local organizations and actors on how to conduct social audits. This activity has strong support from the GOG.

During a press conference on May 17, AC made public its first social audit and monitoring report of the GOG Reconstruction Program. With this first delivery, the report covers the monitoring of the GOG systems as the “Sistema Integrado de Administracion Financiera y Control” (SIAF), “Sistema de Contabilidad Integrado del Estado” (SICOIN), “Sistema de Compras y Contrataciones del Estado” (GUATECOMPRAS), but didn’t include local social audits, as people are still going through trainings. GOG needs to rapidly complete in-country projects, broaden the use of the Guatecompras system among public institutions especially social funds, rapidly respond to the issues related to the housing program, and at the same time ensure that there are funds available to complete the projects. The Government representative who attended the conference, Vice-president Manager Aguirre, placed special emphasis and attention on the recommendations given and promised to fix GOG actions.



Signing ceremony with Coalicion por la Transparencia, El Periodico, AC and CentraRSE

One of the most important developments in this area was the progress made by the T/AC Program of a Competitive Fund for Social Auditing, which is aimed at improving and increasing the participation of civil society organizations (CSO) in overseeing how the GOG manages public affairs and resources. After receiving USAID CTO approval, newspaper ads were published announcing the Fund and inviting CSOs to participate. Civil society organizations were to pick up documents containing information about the Competitive Fund process, show interest by sending information about their own organizations to participate in a preliminary selection, take part in a workshop on how to present a social auditing project proposal, and send the activity proposal to be scored by an Evaluation Committee.

Seventy-two organizations picked up information papers, thirty-six potential groups sent out their organization information papers, nineteen CSO representatives attended the workshop, sixteen activity proposals were sent by CSOs, and the best six were selected by the Evaluation Committee formed by a representative from civil society, the USAID CTO Program, and a representative of the T/AC Program.

The best six projects were granted to associations working on gender and women's issues, ethnic and indigenous advocacy policy, an organization that gathers several CSOs working together on social audit processes, and three in-country CSOs that monitor and observe local issues, including one integrated by young people. The total amount of the six grants to be awarded in July is approx \$ 99,612.

The “Coordinadora Juvenil” is based in San Juan Comalapa and it's part at the Consejo Municipal de Desarrollo – COMUDE through the Probit and Social Audit Commission. This group will monitor the design and execution of the budget for its own municipality. Colectivo para la Defensa de los Derechos de las Mujeres en Guatemala (CODEFEM), another recipient CSO, is a women's association that will evaluate the use of the gender indicator placed in the budget to include women. NALEB, the indigenous advocacy group, will examine the Congress' performance, and specifically the national budget from the indigenous perspective to determine which indicator for ethnicity to include in the budget.

Cordinadora Sí vamos por la Paz (COVAPAZ) is the association comprised of several CSOs that will elaborate a law proposal called “Social Audit and Citizen Participation Law” aimed at strengthening social audit activities. Asociación de Servicios Comunitarios de Salud (ASECSA) is a CSO recipient working in Alta Verapaz, a northern department in Guatemala, to oversee the budget execution and management in its department. Asociación Reed Dos Mil is also a CSO working in Jocotán, Chiquimula to look after the public social investment during 2000-2005 focusing on the social funds. It is expected That the grant agreements will be signed during the next reporting period.



First workshop with the 19 previously selected CSOs

The total amount of grants awarded to civil society organizations from different Guatemalan sectors during this period is approx. \$ 482,612.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

The T/AC Program is taking part in an effort led by the US Department of Commerce which has provided seed funding to the American Chamber of Commerce (AMCHAM), to promote an Action Plan for its Good Governance Program with the Guatemalan private sector. This effort also involves other private organizations such as CentraRSE, Chamber of Commerce, Chamber of Industry, Istmo University, Asociacion de Gerentes and Empresarios Juveniles, among others. The Action Plan is ready and activities have begun with meetings with private sector leaders, and the preparation of an awareness campaign. The party led by AMCHAM is putting together the final budget to discuss the awareness campaign and has asked the T/AC Program to assist with some of its financing.

As mentioned before, the T/AC Program also awarded an unsolicited proposal coming from Centro para la Acción de la Responsabilidad Social Empresarial (CentraRSE). This

proposal would require Program funding (along with other resources from UNDP) for the elaboration of a Guide on how to develop a code of ethics, as well as the implementation of three sectoral Ethic Codes for the private sector. The elaboration of the guide and codes are proposed to be accompanied by training, consultancies, dissemination and awareness activities all directed towards the implementation by the private sector of ethics codes to be in place within a one year period.



Presentation of 1st social audit/
monitoring report of the GOG
Reconstruction Program

CentraRSE already has a draft of the Guide on How to Develop an Ethics Code and is planning four focus groups with private sector staff to validate the content. They included three best local social responsibility practices in the guide. Some of the best Guatemalan cases are: 1) G&T Continental Corporation case that shows how relatives are able to work at the same company, 2) the Cabcorp case that shows how to face conflict of interests, and 3) the Prisma case that illustrates how they are training its staff using the Enron experience. In a parallel way, CentraRSE has also identified the three sectors interested in developing the ethics code: Chamber of Construction, Chamber of Industry and AGER – Rural Enterprises Gremial Association. CentraRSE plans to start the sectoral ethics code as soon the guide is set up.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

The first activity presented by El Periodico consists of an open essay contest on the prevention and penalization of corruption in the public sector. The essay contest was put together with support from the UNDP Civil Society Program, Transparency International, Accion Ciudadana as the local TI Chapter, El Periodico and the USAID Transparency and Anti-corruption Program. The closing date to deliver essays was May 21 at AC headquarters, and sixteen essays were acknowledged.



Signing ceremony with CentraRSE

The Jury has been formed and convoked to start checking each of the sixteen essays. The Jury is composed of two representatives from Accion Ciudadana, representatives from the media (elPeriodico) and a representative from the US Embassy. Final selections will be announced during the next quarter, and published and distributed by el Periodico newspaper.

The unsolicited proposal for a citizen journalism project presented by el Periodico was also accepted by the Program to promote the active participation of the public at large in denouncing corruption cases as well as in writing articles and/or comments on transparency and anti-corruption issues. El Periodico proposes to promote the idea within the general public and to collect and edit all the pieces written by ordinary citizens

and put them together in a magazine that will be published monthly as an annex to the regular issue of El Periodico.

D. SUB IR 2.4: Accountability of elected and appointed officials approved

LLR 2.4.1: Political Party and elected leaders accountability improved

The Nicaragua Transparency and Anticorruption Program and IFES, as part of the CAM Project, have been preparing a regional political party finance conference. IFES is working with local NGOs Etica y Transparencia, Hagamos Democracia, Fundemos, Chamorro Foundation, IPADE and other local CSOs to build a Nicaraguan coalition on campaign financing. Guatemala T/AC Program following the multi-country approach and the importance of exchanging experiences has anticipated the participation of a ten people from civil society coalitions, National Congress, representatives from political parties and the media. The T/AC will start visiting the different sectors in order to finalize the list of participants.

The Electoral Supreme Court (TSE) has been charged by the Office of the Comptroller General for not following the procurement procedures. USAID and the T/AC Program participated in a TSE Magistrates donor's conference to explain the charges. The Program has seen a new window of opportunity to enable the TSE to correct the practices for accusations, and is coordinating with a OAS/USAID funding Electoral Program in identifying the TSE needs.

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

The T/AC Program is presently coordinating with other donors (UNDP) and civil society organizations regarding its role in the implementation of the Probity Directorship Action Plan within the Office of the Comptroller General.

➤ **List of In-Country Training Events**

Activity	Objective	Participants	Date/Place	Comments
1) "Civil Society Project Design and Implementation Workshop"	To train SCOs that were previously selected for the Social Audit Competitive Fund on how to make a project proposal. Powerpoint presentations on Corruption 101, Corruption in Latin	Asociación HOPE, FLACSO, TECDI, ADCS, Grupo Profesional Cambios, ASOPRODE, Asociación Red Municipal de Comunicadores Sociales de Villa de Chiantla,	May 25, 2006. Hotel Camino Real.	Gerardo Berthin from CASALS/EL SALVADOR was the official speaker during this event. This training was funded by the T/AC Program.

	America and Guatemala, and Corruption Vulnerabilities in Key Sectors were included in the Agenda.	Chamber of Commerce, Asociación Civil YunQ'ax, IMASP, Coordinadora Sí vamos por la Paz, Coordinadora Juvenil de Comalapa, Red Dos Mil, ACCIOPADE, AESTNA, ASECSA, and others. Female: 18 Male: 43		
2) Financial and Administrative Training to CentraRSE, elPeriodico, and Coalición por la Transparencia.	To train these organizations on USAID procedures and regulations, such as Mandatory Standard Provisions and Casals policies.	CentraRSE, elPeriodico, and Coalición por la Transparencia. Female: 2 Male: 4	June, 2006 at the T/AC Program facilities.	Yasha Mendizabal carried out these training sessions with each organization.

ii. Other activities:

➤ Donor coordination

The T/AC Program continues supporting the USAID initiative to organize a donor coordination group on the subject of transparency and anti-corruption. A monthly base meeting has been occurring plus extra meetings with specific invitees to become better informed on specific subjects. Donors table participants have been discussing social audit concepts and a smaller donors group is coordinating support to the Office of the Comptroller General.

At least two meetings out of the monthly one have been scheduled during this quarter. The Presidential Commissioner for Transparency and Against Corruption was invited to provide

information about the organization and logistics of the TI conference. The Inter American Development Bank (IADB) hosted the special presentation requested to inform donors about the research study on discretionary spending and the PACUR redesign carried out by representatives from Fundación DESC and Accion Ciudadana.



Regular Donors' meeting at Camino Real Hotel

➤ **Monitoring and Evaluation Plan and Gender Action Plan**

As part of the CAM Program obligation, the Program has to deliver an annual report on the Monitoring and Evaluation Plan. The Program has agreed on the scope of work to bring consultant Patricia Delaney to assist with writing the country report, as well as to prepare a multi-country gender activity.

iii. Achievements and Obstacles

During the third quarter of FY 2006, the T/AC Program made important progress towards the achievement of the established results. Key areas of progress can be summarized as follows:

Achievements:

- Towards getting a national anticorruption/transparency strategy completed and implemented, GOG has put the Head of the Presidency Roberto Gonzalez Diaz Duran to follow up on the Transparency Policy Reform Agenda. These areas are associated with discretionary spending on social funds managing, trust funds managing, GOG procurement processes, GOG integrity offices, access to information, IACC implementation, oversight agencies strengthening, and transparency legal reforms. The GOG strategy was outlined based on the SNI study funded by the T/AC Program through a grant awarded to AC, and research studies outcomes as the one on "Discretionary Spending, key actions to gain transparency."
- The GOG also launched different Dialogue Tables with civil society organizations including one on Transparency and Anti-corruption in which the participants are discussing the short and long term actions, with the T/AC Program's support. It is expected that conclusions of the Transparency Table will also help the implementation of the commitments of the IACC.
- The LOU signed with the Judiciary and the Supreme Court of Justice has reached its main objective. The T/AC Program has provided support to develop a strategy and work plan to implement IACC commitments within the area of responsibility of the judicial branch. Corporación Latinoamericana para el Desarrollo has elaborated the strategy and action plan, and the T/AC Program has already delivered a copy to Magistrate Gilberto Chacón Torrebiarte to be approved and implemented within the Judiciary.
- Regarding one issue that is closely associated with the conclusions of the study on discretionary spending, USAID received a request from the Secretaría de Coordinación Ejecutiva de la Presidencia (SCEP), to contract Accion Ciudadana (AC) to examine the management of the "Programa de



Meeting with donors and Presidential Commissioner for Transparency and Anti-corruption

Apoyo Comunitario Urbano y Rural (PACUR)”, and present a technical proposal to redesign PACUR in order to ascertain its transparency and accountability. The T/AC Program awarded this contract, and after several meetings with SCEP Secretary and his staff, AC, and with USAID, the SCEP Secretary accepted the recommendations given to be implemented during 2006.

- During this period, the T/AC Program dedicated a significant amount of time to look for new opportunities for citizen participation from different sectors. The Program awarded grants not only to civil society organizations, but to private sector associations and the media. In a special ceremony on May 25 with USAID attending as honorary witness, the T/AC Program signed four grants awarded to civil society organizations: Coalición por la Transparencia (Accion Ciudadana, Cámara de Comercio, CIEN), el Periódico, Acción Ciudadana, Centro para la Acción de la Responsabilidad Social Empresarial -CentraRSE. The total amount of these grants is approx. \$ 383,000.
- The Program also developed the Social Audit Competitive Fund that is designed to attain quantitative and qualitative improvements in the participation of civil society organizations in the oversight of how the GOG manages public resources and affairs and to promote public policy reform resulting from social audits. As a result of this process, the T/AC Program has granted six small funds. Organizations awarded range in topics, from gender, ethnicity and group associations. The total amount awarded is approx. \$ 99,611.
- With T/AC Program financing, Accion Ciudadana made public its first social audit and monitoring report of the GOG Reconstruction Program. The Government representative attending the press conference placed special emphasis and attention on the recommendations given by AC and promised to fix GOG actions.

Obstacles:

- USAID has informed the T/AC Program about its policy with regards to limiting the direct contact with and writing of correspondence to high level GOG Officials by Program personnel. While the Program will adhere to USAID regulations, it should be noted that, given the nature of the T/AC Program which is heavily oriented towards promoting public policy reform, the inability to have direct access to policy and decision makers may be an important obstacle to the achievement of the expected program results.

iv. Planned Activities by each Sub-IR and LLR for the next Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 2 – Greater Transparency and Accountability of Governments

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

LLR 2.11: National anti-corruption/transparency strategy completed and implemented

- Continue supporting the Office of the Presidential Commissioner for Transparency and Anti-corruption demands, especially in the organization of the XII TI World Conference.
- Discuss and coordinate efforts with the National Congress Transparency Commission and with Coalicion por la Transparencia for the implementation of recommendations made by the IACC Committee of Experts, particularly those involving the Probity Directorship within the Office of the Comptroller General.
- Assist the General Manager within the Office of the President in the implementation of a GOG Transparency Reform Policy Agenda and to follow up on the results of the Transparency Dialogue Table.
- Continue to act as Secretariat for the recently formed Donor Coordination group on transparency and anti-corruption.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

- Follow up on the baseline construction for the IACC compliance map of indicators as well as the free access to information index.
- Coordinate with the Judiciary on the public launching of the IACC Strategic Plan along with the Supreme Court of Justice participation, and its implementation.

LLR 2.1.3: Improved national government budget transparency, management and execution

- Work with the competitive fund CSO to support their activities to improve knowledge and awareness about the budgetary process.
- Follow up on the Accion Ciudadana work plan related to the monitoring of the PACUR recommendations to be put into work, and the study entitled "Discretionary Spending, key actions to gaining transparency", in order to revamp the discretionary spending and windows of opportunity for corruption associated with these funds.

LLR 2.1.4: Systematic Government deficiencies identified and addressed in key line ministries

- Follow up with COPRE on bringing a consultant to choose key institutions that should implement the best practices of Bureaucratic Simplification Assessments and promote improvements in selected GOG institutions.

- Follow up on bringing an international consultant to aid in the Reconstruction Program by implementing the Information System and an Accountability Plan.
- Follow up on the SOSEP and IGSS request for assistance.
- Continue to work with COPRE in finalizing the arrangements for a National Forum in Guatemala to follow up on the opportunities for public policy reform that were identified as a result of the participation of Guatemalan officials in the Good Governance Forum that took place in Mexico in November, 2005.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

- Follow up on the results of the corruption perception and experience index (IPEC) as a means to plan for future activities.
- Coordinate with COPRE to launch a special course on e-government

LLR 2.1.6: Key oversight agencies strengthened

- Continue coordinating with the National Congress on obtaining the website support and the establishment of the Citizens Information Booth .
- Coordinate with UNDP, Coalicion por la Transparencia and the Congressional Transparency Commission on implementing the recommendations from an ongoing assessment of the Probity Directorship within the Office of the Comptroller General.
- Continue providing technical assistance to the Judiciary, with CLD support, to develop a strategy aimed at pursuing compliance with the IACC.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizen needs

- Organize a workshop to deliver and validate with civil society groups relevant documents on social auditing at the local level.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

- Sign six grants awarded to small CSOs (from the approved Social Auditing Competitive Fund) engaged in oversight of how the GOG manages public affairs and resources.
- Follow up on the grant to Accion Ciudadana designed to monitor and conduct social audits of the GOG Reconstruction Program.

- Continue to review and analyze civil society activity proposals through the Program's Technical Committee.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

- Keep sharing information to support the Action Plan promoted by the American Chamber of Commerce (AMCHAM) in encouraging the adoption by the Guatemalan private sector of the US Department of Commerce Good Governance Program for the sector.
- Follow up on start-up activities of the CentraRSE proposal to establish private sector social responsibility activities and Ethics Codes.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

- Follow up on the open essay contest winner.
- Follow up on the activities proposed by El Periodico in the areas of "citizen journalism".

D. SUB IR 2.4: Accountability of elected and appointed officials approved

LLR 2.4.1: Political Party and elected leaders accountability improved.

- Approach "Mirador Electoral" CSO alliance to discuss their plan and identify areas of potential Program cooperation.
- Continue coordinating with the OAS Electoral Program on identifying specific needs to support the TSE.

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

- Coordinate with other donor agencies and civil society groups on the activities aimed at improving the operation of the Probity Directorship of the Office of the Comptroller General.

II. Administrative Update

i. Grants

- Reviewed financial reports from grantees
- Conducted on-site visits to grantees and observed grantee activities in the field.
- Provided monetary advances to grantees in accordance with approved timetables

ii. Staffing

- Held regular staff meetings to discuss and follow different issues
- Followed up on staff contracts and performance evaluations

No documents were submitted to DEC during this reporting period.

NICARAGUA

Introduction

This quarterly report covering the period of April 1 through June 30, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with Contract DFD-I-00-03-00139-00 and Task Order DFD-I-03-03-00139-00, USAID/Central America and Mexico Anti-Corruption, Transparency and Accountability Program.

I. Technical Update

i. Key activities by Sub-IR and LLR for the Quarter

The following is a description of key activities conducted in this period by the Transparency Program/Nicaragua (the Program) broken down by Sub Intermediate Results and Lower Level Results.

Sub-IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented

To date the Government of Nicaragua (GON) does not have an integrated anti-corruption/transparency strategy. In spite of this, the Program has continued to promote key activities in support of a national strategy. For example, an important element of any anti-corruption/transparency strategy is having public access to information. This is essential for citizens to effectively monitor government spending, decision-making, public policy processes, and hold government accountable. During this quarter the Program provided short term technical assistance to the eight (8) pilot government entities involved in the Presidency's *Estrategia Voluntaria de Acceso a la Información* (EVA). A roundtable discussion with the webmasters of the 8 pilot entities was held in the Program's office. Mr. Miguel García-Gosálvez, Information Technology Expert, led the discussion.

The roundtable allowed the webmasters' to have an space to get answers to an array of technical questions. The Internet was used as a reference tool for examples. Mr. García-Gosálvez also shared methodologies and techniques used in different websites for making information more accessible and the sites more user friendly. The feedback from the experience was very positive, and webmasters requested to have a follow-up specialized training with Mr. Garcia-Gosálvez and/or with a senior local expert .

Another key activity in this LLR is work with the Office of Public Ethics (OEP). An issue of extreme importance for the Program is the strengthening of the OEP, an office established by Presidential Decree and one of the focal point for the coordination of anti-corruption activities and the central authority for the Inter-American Convention against Corruption (IACC). Various coordination meetings between the Program and OEP have taken place during the past few months, to focus the Program's technical assistance on key capacity building areas, particularly during the next 6 months in which an electoral process is underway and as a result there will be a new government taking over.

To better understand what the OEP's immediate capacity-building needs are, the Program held a meeting on April 28, 2006 with World Bank (WB) civil society expert, Ms. Colleen Littlejohn. The meeting was held to discuss the kind of support that the WB had been providing to the Office of Public Ethics over the past few years. Ms. Littlejohn shared that an assessment was conducted with WB funds to delineate viability options and a strategy for the OEP.

Shortly after this meeting, the Program also met with OEP once again on May 16, 2006 to prioritize potential areas for technical assistance. The OEP has committed itself to send a written proposal to the Program for review and discussion. As of the end of June, the proposal had still not been received.

LLR 2.1.2: Implementation of Inter-American Convention against Corruption (IACC) Commitments

On May 25, 2006, the Program in coordination with Checchi's USAID/Rule of Law Program, held a one-day workshop focusing on Nicaragua's penal code and targeting public officials from sectors that dealt with judicial and criminal issues such as the National Police, National Police Legal Advisory, General Attorney's Office (PGR), Public Ministry, and Judicial Auxiliary, among others. The primary objective of this workshop was to share the results of a consultancy that Dr. Jose Maria Tejerino and Dr. Ali Lozada conducted for the Program during the first and second quarters of this reporting period. The consultancy included proposals and inputs for reform and adherence to the IACC and the United Nations Convention against Corruption (UNCAC), particularly in relation to acts and crimes of corruption such as illicit enrichment.

Results of the workshop included, specific proposals and comments by the participants, and a rich exchange of ideas and discussion. These were submitted to the USAID/Rule of Law Program for compilation and to the National Assembly's (AN) Justice Commission for their consideration during the Legislative Branch's Sessions.

The workshop, was logistically arranged by the USAID/Rule of Law Program, and the Program financed Dr. Tijerino's presence. A total number of 15 participants, of which eight were men and seven were women.

A second initiative supported by the Program during the months of May and June, was providing technical and financial assistance to the IACC Civil Society Follow-Up Group - initiated by the Transparency Program in 2005 - to respond to the Organization of American States' (OAS) Committee of Experts questionnaire on the State's implementation and compliance of the IACC. In April 2006, the OAS scheduled Nicaragua to be analyzed on compliance of the IACC in December 2006, and set a deadline of July 17, 2006 for the submission of the response to the standard questionnaire. Therefore, the Program had to move quickly.

The Program convened a meeting with the Follow-Up Group on May 23, 2006. Nearly half of the organizations of the Follow-up Group attended the meeting, among them, FUNDEMOS, *Fundación Violeta Barrios de Chamorro* (FVBCh), *Universidad Centro*

Americana (UCA), Asociación de Auditores Internos de Nicaragua (AAIN), Asociación de Juristas y Abogados de Nicaragua (AJALNIC), Comisión Nacional de Decanos de Derecho (CONADER), PROBIDAD, and Etica y Transparencia (EyT). In this meeting, the Follow-up Group requested to the Program to provide technical assistance in drafting a response to the questionnaire.

It was also important to ensure that the Follow-up Group had ownership of this process; therefore the Program encouraged them to designate a coordinator. EyT was chosen. The Program provided technical assistance to the process by bringing Mr. Alejandro Urizar from *Acción Ciudadana*/Guatemala, to share with the group experiences of his work as coordinator of this same effort in Guatemala. He provided guidance to the Follow-up Group on how to successfully respond and complete the questionnaire pertaining to the second round of analysis.



Picture 1: First Coordination Meeting of the IACC Follow-Up Group to Respond to the OAS' IACC Questionnaire¹

Grant on Access to Information with FVBCh

In February 2006, the Program awarded a grant in the amount of \$66,000 (sixty-six thousand dollars) to FVBCh to promote and advocate passage of access to information legislation by the AN. On April 4-5, 2006, the Program through this grant, conducted a two-day training workshop on how to investigate and access important information from government entity websites. The training was conducted by Argentinean journalist and investigative journalism expert, Ms. Sandra Crucianelli, and targeted to a limited number

¹ From left to right: Martha Molina, PROBIDAD; Rodolfo Pérez, UNAN León; Orestes Papi, FVBCh; Patricia Mayorga, grupo FUNDEMOS; Marcelino Miranda and José Denis Contreras, AAIN; Ulises Caldera and Mariela Lanzas, Transparency Program/USAID; Robert A. Courtney; EyT; Hagamos Democracia; and Dr. Francisco Jácamo; CONADER.

of journalists. Despite a transportation strike and popular protests and blockades during the two-day workshop, a total number of nineteen participants attended on April 4; eight were female and eleven were male. A total number of ten participants attended the workshop on April 5; three were female, and seven were male.

The workshop's primary objective was to provide journalists with the technical capacities and tools to effectively monitor the accessibility, quality, reliability, transparency, and efficiency of the information that the Nicaraguan government entities, specifically those involved in EVA, are uploading to their websites.

On April 19, 2006, a formal grant signing ceremony covered by the media was hosted to officially launch the initiatives under this grant. The ceremony was held at the Central Bank of Nicaragua. Ambassador Paul Trivelli made the opening remarks and Ms. Cristiana Chamorro, FVBCh's Executive Director, gave the introductory speech. Sitting at the signing table were Mr. Mario Arana, President of the Central Bank, Ms. Carol Horning, USAID/Nicaragua's Deputy Director; and Ms. Chamorro.



Picture 2: Official Grant Signing Ceremony, Central Bank of Nicaragua²

One of the most important components of the FVBCh's grant is the observatory (*observatorio*) that they have in the AN to monitor the process of approving the Law of Access to Information. The purpose of the observatory is to monitor on a daily basis the interactions and exchanges that occur amongst the members of the AN's Justice Commission, which is reviewing the bill. The observatory's initial monitoring produced

² From left to right: Mario Arana, President of the Central Bank of Nicaragua; Ambassador of the United States the Honorable Paul A. Trivelli; Cristiana Chamorro, Executive Director of the FVBCh; Carol Horning, Deputy USAID/Nicaragua Mission Director

some important results, such as press articles, direct dialogue on key issues with Deputies and members of the Commission, held information meeting with the Citizen Council in Favor of a System of Access to Information and provided key observations, comments and clarifications to the Commission.

On June 2, the Program organized a roundtable discussion between the FVBCh and Mr. Alejandro Urizar from Acción Ciudadana/Guatemala. As mentioned before, Mr. Urizar traveled to Nicaragua to provide technical assistance to the IACC Follow-up Group. The Program thought it would be a great window of opportunity to set up an encounter with FVBCh so that Mr. Urizar could also share the experiences that Guatemala went through in getting freedom of information legislation passed.

In May 2006, the FVBCh started a study of public information's classification. The study's objective will be to conduct a comparative analysis on citizens' right to access of information in Mexico, Chile, Ecuador, Peru, Panama, Canada, United States of America, and Nicaragua.

The second workshop on the evaluation of EVA pilot websites was conducted on May 17. The results of the April 19 were presented to the Presidency's Communications Office. The results will help improve the websites and make the uploaded information more accessible.

LLR 2.1.3: Improved national government budget transparency, management and execution

Activity 1: Support implementation of the GON's EVA within the Ministry of Finance (MHCP)

The Program met twice with MCHP to discuss the possibility of providing technical assistance to strengthen transparency within the ministry. Several initiatives were discussed; however, the Program still awaits a proposal detailing concrete efforts from MCHP.

Activity 2: Enhance CSO and Media Capacity to monitor sector specific budgets

During the previous quarter, the Program met with Ms. Ana Quiroz, Executive Director for the *Centro de Información y Servicios de Asesorías de Salud* (CISAS) explore the possibilities of a grant that would have as primary objective the creation of an "observatorio" to monitor Nicaragua's national budget process. A proposed sectoral budget activity, which was presented to the Program by Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP), was also discussed with CISAS.

In view of CISAS demonstrated interest in pursuing the sectoral budget initiative along with the "observatorio" effort, the Program and USAID/Nicaragua foresaw a potential collaboration between both NGOs. The Program arranged a coordination meeting between these two organizations and invited *grupo FUNDEMOS* (FUNDEMOS), an NGO with vast experience in participatory budgeting that would provide in-depth technical expertise to this initiative.

The meeting took place on May 12, 2006. The meeting's result was for the three organizations to present a united proposal for a grant. Each organization would implement a specific activity and in unison all activities would produce impact results.

CISAS agreed to start developing the proposal and share it with IEEPP and FUNDEMOS. To this date, no proposal has been presented by CISAS to the other two organizations. Many follow-up calls and messages were sent to CISAS's director; unfortunately a response was never received. After several months of no contact, FUNDEMOS became disinterested.

IEEPP, however, was more willing than ever to proceed with the proposal. In an effort to move this LLR forward, the Program once again began negotiations with IEEPP. In June 2006, IEEPP presented a revised proposal. The Program's technical committee revised it, requested minor modifications, and sent the proposal to USAID/Nicaragua for approval on July 7, 2006.

LLR 2.1.4: Systemic government deficiencies identified and addressed in key line ministries

There were no activities for Nicaragua under this LLR for the quarter.

LLR 2.1.5: Initiatives to reduce petty corruption (bribe solicitation) developed and implemented

To reduce instances of petty corruption, the Program will conduct Bureaucratic Simplification Assessments (BSA) in certain government entities that provide public services. The Ministry of Health (MINSA) has been identified as one possible pilot entity for this activity.

Prior to implementation, the Program gathered information on MINSA, its processes and regulations, and met with the Proyecto, Liderazo y Sostenibilidad/PRONICASS, a project currently executed by MSH, to learn about the reengineering work that they were doing within this ministry. Several coordination meetings took place between the Program and PRONICASS from April 25 through June 2, 2006.

The next step for advancement of this LLR is an initial meeting with Health Minister, Margarita Gurdían. This will take place during the next quarter.

In addition, the Program received two proposals from the Competitiveness Commission in June. One proposal was focused on the simplification of processes of sanitary registrations; the second was focused on obtaining approvals and permits for contracting as per law no. 104-2005. Currently, these proposals are being evaluated by the Program's technical committee. A decision will be made in early August.

LLR 2.1.6: Key oversight agencies strengthened

There were no activities under this LLR for this quarter.

Sub-IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens' Needs

LLR 2.2.1: Improved decentralization policy framework

There were no activities for Nicaragua under the approved FY 06 Work Plan.

LLR 2.2.2: Improved local government budget transparency, management, and execution

During the month of May 2006, the Program began direct implementation of local level activities in the municipalities of Nagarote, Nueva Guinea (which is located in the North Atlantic Autonomous Region [RAAN]), San Carlos, San Juan del Sur, and Sébaco. To initiate activities, the Program contracted consultant Magaly Lara to provide direct technical assistance to these municipalities in the development and implementation of social auditing skills.

The Program liaised Ms. Lara with Red Local Para el Desarrollo (Red), a specialized civil society network on the topic of social auditing which is composed of approximately 65 organizations nationwide. Due to the Red's active presence in these municipalities, coordination with them was indispensable to gain acceptance and receptivity from the Mayor's and the Municipal Councils. As a result, the Program began negotiations with the Red to submit a proposal to conduct social auditing trainings at the municipal level.

With support from the Red, the Program's technical expert Mayling Obregon and consultant Magaly Lara contacted and scheduled several meetings with the Mayors and Municipal Councils from the various municipalities. They met with each Mayor and Municipal Council individually to introduce the Program, its objectives, activities, and proposed trainings on social auditing. The scheduled meetings, presentations, and outcomes were the following:

1. June 5: Meeting with Sébaco's Municipal Council. The municipal authorities embraced the initiative and proposed activities with enthusiasm. They specifically requested that the Municipal Development Council (CDM) be strengthened.
2. June 7 and June 14: Meeting with San Juan del Sur's Mayor and presentation to the Municipal Council. In this municipality the authorities also embraced the initiative and committed themselves to fully cooperating with these efforts.
3. June 12: Meeting with Nueva Guinea's Mayor. In this specific municipality, the initiative was not fully embraced as originally envisioned, due to the lack of consensus about the initiative among elected officials and civil society organization. At the end, after numerous efforts, an agreement was reached about the initiative in Nueva Guinea that involved training on, and strengthening social auditing approaches targeting community leaders.

In addition to working in the above-mentioned municipalities, the Program continues to provide technical assistance to eight other municipalities through two grantees: EyT and FUNDEMOS.

Grant on Municipal Budgetary Transparency Project with EyT

During the previous quarter, EyT had presented the “Municipal Budgetary Transparency Project” to four of the five municipalities. On April 13, 2006, EyT along with the Program’s technical expert, Mayling Obregon, completed the presentation to the five municipalities by meeting with San Marcos’ Municipal Council. After several coordination and planning meetings with the authorities of the five municipalities, EyT finally began providing technical assistance on local budget transparency and execution to Diriamba, El Rosario, Masatepe, San Marcos, and Santo Tomás del Norte.

As part of this effort, several workshops were held prior to the official launching of the technical assistance. For example, on May 16 an introductory training on budgetary, citizen participation, and social control legislation was held in Jinotepe. The workshop, which targeted a variety of sectors from municipalities, had as its primary objective to provide technical assistance to the Municipal Evaluation Committees (CEM), which are conformed to evaluate the transparency in the municipal processes. A total number of 28 participants attended; 11 were female and 17 were male. A second workshop on this topic was held in Santo Tomás del Norte on May 17.

On June 1, 2006, to officially launch the technical assistance effort, EyT held a cooperative agreement signing ceremony with all five Mayors involved. The main objective of this launching event was to publicly commit to cooperate with EyT in the implementation of the “Municipal Budgetary Transparency Project”. This commitment included providing information, encouraging civil society organizations and other sectors of their municipalities to participate in the trainings and related events. The event also allowed for better and more fluid communication between the local authorities, civil society and others. Approximately 95 invitees attended the event; 48 were female and 47 were male.



Picture 3: Official Signing Ceremony between EyT and 5 Mayors³

Shortly after the launching, EyT brought Mr. Roberto Estrada Landaverry, a technical expert on local budgeting from Acción Ciudadana/Guatemala, to share with different

³ From left to right: Pablo Ayón, President EyT; Alcalde; Alcalde Santo Tomás del Norte; Luis Aragón; Technical Coordinator EyT; Alcalde; Alcalde; Alcalde

members of the municipalities their experience. During Mr. Estrada Landaverri's visit, training events were held in the municipalities of Diriamba, El Rosario, Masatapa, and San Marcos. The objective of these training events was to create awareness and share knowledge among civil society local leaders and municipal public officials. Through these trainings, both sectors were able to understand how important they are to each other and how participation and synergies amongst them is of utmost importance.

In addition to the workshops and trainings mentioned above, EyT also established a CEM within each participating municipality. Their members were chosen by EyT's departmental coordinators based on an organized structure of mandate. The CEM's typically have five civil society members such as the Municipal Development Council (CDM), the Association of Urban Settlers (*Asociación de Pobladores Urbanos*) and the Association of Rural Settlers (*Asociación de Pobladores Rurales*), as well as a municipal notable and a coordinator from EyT. The CEMs serve to actively evaluate transparency in the various municipal processes.

To further the CEMs' technical capacity, on June 23 EyT held a workshop on measurement tools used to evaluate municipal processes. The workshop had as its primary objective to train the members of the CEM's in the use and application of the indicators that will serve to evaluate each of the five Mayors' Offices. Over 115 indicators were analyzed during this workshop and validated. Approximately 11 invitees attended the workshop; 3 were female and 8 were male.

Grant on Local Participatory Budgeting with Fundemos

Fundemos provides technical assistance on local participatory budgeting to three municipalities:

San Marcos: In continuing with the efforts launched in San Marcos in 2005, Fundemos has conducted two trainings in this municipality. The first training, which took place on June 13, targeted municipal government employees and the social auditing coordinating team. The training's objective was to provide concepts and tools on social auditing. Approximately 18 invitees attended; 9 were female and 9 were male. The second training, which took place on June 24, targeted citizens of the southern part of the municipality. The training's primary objective was to provide citizens basic knowledge on social auditing, its concepts, and the necessary tools for its implementation. Approximately 12 invitees attended; 1 was female and 11 were male.

Palacagüina: On April 20, FUNDEMOS presented the Local Participatory Budgeting Project to the local authorities (municipal government and CDM). During the presentation, Fundemos explained the project's objectives, and shared the suggested work plan and chronogram of activities. In addition, three training events were held to provide basic knowledge on social auditing, its concepts, and the necessary tools for its implementation. The trainings targeted municipal government employees and CDMs. Approximately 42 invitees attended the first training on June 7; 16 were female and 26 were male. Approximately 25 invitees attended the second training on June 14; 10 were female and 15 were male. Approximately 30 invitees attended the third training on May 16 & 17; 12 were female and 18 were male.

Chinandega: On April 19, Fundemos presented the project, its objectives, and proposed chronogram of activities to Chinandega's CDM and municipal government. A workshop was held on June 16 on social auditing, and approximately 29 invitees attended; 10 were female and 19 were male.

Sub-IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making

LLR 2.3.1: Strong civil society participation and oversight

Activity 1: Promote social audit initiatives through local Transparency Fairs, including management of small grants fund

The Program received a grant proposal from civil society organization *Hagamos Democracia*. The grant proposal aims at creating awareness about asset declaration, and about the work being addressed by the AN. This proposal was sent for technical concurrence to USAID on June 13 and comments were received on June 22. This proposal is still under review.

Activity 2: Sponsor data collection and analysis to guide policy and sensitize the public about consequences of corruption

Under this activity, the Program worked on two primary efforts. One of these efforts involved providing financial support to the Secretaría de Juventud de la Presidencia de la República (SEJUVE) to fund a portion of a nationwide youth study between the ages of 15 and 30 years. The study will generate data on the levels of participation of Nicaraguan young citizens in the areas of education, employment, health, and government and politics, among others. This study, which is the first of its kind in Nicaragua, will be compared to similar efforts in Guatemala and Costa Rica. In June an agreement was signed formalizing the Program's assistance to SEJUVE. Field work for the study is scheduled to start on July 1, 2006, and data is expected to be available during the following reporting period.

The second effort, a municipal survey on democracy, is an over sample of the Latin America Public Opinion Project 2006 conducted by DIMS in coordination with Vanderbilt University. During the month of May, a meeting with the implementers of the LAPOP democracy survey from the different 25 country Missions was held in Costa Rica. To take advantage of Dr. Mitch Seligson's presence, (scholar and statistician from Vanderbilt University who will analyze the collected data); and representatives of the Centro de Analisis Sociocultural (CASC) from UCA (who will physically collect the data), USAID/Nicaragua's Democracy Officer, Steve Hendrix, and the USAID/Transparency Program's Director, Sally Taylor, traveled to Costa Rica with the primary objective of discussing Nicaragua's municipal over sample's design.

To date, the survey has been through a variety of sample designs. Towards the end of June, the Program contacted UCA and requested a revised proposal. To date, a revised version has still not been received. The samples will represent 1) twelve municipalities receiving assistance under the Transparency Program during 2006 and 2) eight municipalities programmed to receive assistance in a future period. The questionnaire will include groups of questions from the national 2006 LAPOP questionnaire, selected

questions from a previous USAID-funded corruption study, as well as new questions developed to provide base line information for the Program on topics of importance at both the local and national levels. The contracting and implementation of these activities will continue into the following quarter.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

There were no major activities under this LLR for the quarter but the Program continued to make a concerted effort to involve private sector representatives in other Transparency Program activities. Both the American Chamber of Commerce (AMCHAM) and the Association of Internal Auditors of Nicaragua (AAIN) have demonstrated genuine commitments to the Program's goals. During the next reporting quarter, a strategy will be developed to engage private sector.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

The Program financed the participation of six Nicaraguan journalists in the two-day Seminar "Investigative Journalism: The Anatomy of Power," which took place in Panama City, Panama on June 23-24, 2006. The seminar's objective was to assist journalists in developing the necessary skills for investigative journalism. It provided them with the adequate tools for researching and conducting this type of investigation primarily focused on Latin American corruption cases that have ramifications in the United States.

The seminar covered various themes such as the different types of journalistic genres that could be used during an ongoing journalistic investigation, and the many different tools (e.g. databases) that are available for conducting investigative work. Characteristics of other types of journalism were also discussed, such as how do you structure an investigative work, what are your sources of information (written, verbal, documental, historic, among others), and the difference between these other types of journalism and investigative journalism were explored.

Based on the feedback that the six journalists provided, the Program is in the process of designing a training strategy directed specifically towards journalists in radio broadcasted, television, and written.

Sub-IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1: Political parties and elected leaders' accountability improved

In January 2006, the Program completed an operational assessment under a subcontract with International Foundation for Election Systems (IFES). This assessment produced clear evidence that political party financing is in dire need of monitoring, transparency, and public disclosure in Nicaragua.

Toward the goal of engendering systemic reform in this area, the Program negotiated a second subcontract with IFES for a 7 month political finance monitoring activity named Money and Politics (MAP). Activities to be implemented under the MAP subcontract

would be executed by local partners with funding coming directly from the Program. The activities to be implemented are in the following areas of focus:

- Public awareness and advocacy campaign
- Promotion of political discourse and dialogue
- Strengthening the reform coalition

To initiate efforts under the subcontract, Messrs. Pablo Galarce and Jeffrey Carlson from IFES, traveled to Nicaragua from June 13-16. On June 14, they identified and met with 5 civil society organizations that could potentially implement activities on political finance monitoring.

In close coordination with the Program, IFES will work directly with civil society organizations to enhance their capacity to increase public awareness of the legal framework for political financing and reforms that have been successful experiences in other countries. Through recurring training and technical assistance, IFES will also assist civil society organizations in developing a network of organizations to keep this topic on the political agenda through the general elections and beyond. A Political Finance Handbook and public awareness products will also be developed and widely disseminated.

To formally launch the political finance monitoring activities, the Program negotiated a third subcontract with IFES to design and implement an international conference on political financing. The conference, which was originally envisioned as a multi-country one-day event, transitioned into a series of activities lasting about a week in length and culminating with a two-day conference funded solely by the Program.

The target audience for the conference includes a variety of sectors such as government officials, political party representatives, civil society organizations, media owners and journalists, private sector, academia, international speakers, etc. The conference and all prior events related will take place from July 22-28, 2006.

LLR 2.4.2: Improved government ethics and disclosure of assets of public officials and candidates for public office

There were no activities programmed under this LLR for the quarter.

➤ **List of In-Country Trainings**

Please refer to ANNEX I.

➤ **Consultancies**

Sandra Crucianelli

Ms. Sandra Crucianelli, a renowned Argentinean journalist, traveled to Nicaragua from April 2-6, 2006. Ms. Crucianelli provided training to journalists on how to effectively monitor the accessibility, quality, reliability, transparency, and efficiency of the information that the Nicaraguan government entities involved in EVA are uploading to their websites.

Patricio Maldonado

Mr. Patricio Maldonado, CAM Chief of Party, traveled to Nicaragua on April 3, 2006 on a TDY (Temporary Duty Assignment) to meet with USAID/Nicaragua on some of the Program's pending technical matter. In addition, Mr. Maldonado introduced Ms. Mariela Lanzas as new Deputy Program Director to the staff and the Program's CTO.

Miguel García-Gosálvez

Mr. Miguel García-Gosálvez, information technology director for C&A, traveled to Nicaragua on April 24, 2006, 2006. The purpose of his trip was twofold. During the first couple of days, Mr. García-Gosálvez assisted the Program in sorting out and fixing recurring IT problems which slowed down electronic communications with counterparts and the Mission. During the last few days on TDY, Mr. García-Gosálvez participated in a roundtable where he shared his knowledge and expertise in the IT field with the different webmasters from the 8 government institutions participating in the EVA.

Alejandro Urizar

Mr. Alejandro Urizar from Acción Ciudadana/Guatemala traveled to Nicaragua from June 1-3, 2006. Mr. Urizar assisted the Program in providing technical assistance to the IACC Civil Society Follow- Up Group. Mr. Urizar shared experiences of his work as coordinator of a similar effort in Guatemala. He also provided guidance to the Group on how to successfully respond and complete the questionnaire.

Roberto Estrada Landaverry

Mr. Estrada Landaverry from Acción Ciudadana/Guatemala traveled to Nicaragua from June 5-9, 2006. Mr. Estrada assisted one of the Program's grantees, EyT, in organizing participative budgeting workshops that were to be imparted in the municipality of Diriamba. Mr. Estrada also participated in these workshops as a speaker; he shared methodologies, experiences, and lessons learned by Acción Ciudadana in this particular topic.

Pablo Galarce and Jeffrey Carlson

Messrs. Pablo Galarce and Jeffrey Carlson from IFES traveled to Nicaragua from June 14-17, 2006. Both Mr. Galarce and Mr. Carlson assisted the Program in initiating activities under a political party finance monitoring and public awareness subcontract. During their stay in Nicaragua, both gentlemen met actively with various civil society organizations to obtain their buy-in to the activities.

ii. Other Activities

- Provided financial support to the OEP in a validation workshop of its action plan for the implementation of the IACC. The Program financially contributed for the reproduction of materials and banners (June 13)

- Provided technical assistance to the FVBCh by organizing a roundtable discussion with Mr. Alejandro Urizar from Acción Ciudadana/Guatemala on their experience in getting freedom of information legislation passed
- Participated in the monthly Governance Roundtables
- Assisted to many different events throughout the last quarter such as the official launching of the ODC, PROBIDAD work session for the drafting of its FY 07 work plan, etc.
- Met with Millennium Challenge Corporation (MCC) Head Officer, Matthew Bohn, to discuss future possibilities of collaboration. The municipality of Nagarote was identified as a pilot for the launching of a joint effort between the Program and MCC on social auditing (June 19)

iii. Achievements and Obstacles

Achievements

- Acceptance of proposed modifications in compliance with IACC and UNCAC to Nicaragua's Penal Code for consideration by the NA.
- FVBCh grant's National Assembly observatory plays key role in discussions of Access to Information legislation.
- Extension of municipal level activities and technical assistance to five geographically and socio-economically diverse cities.
- IACC Civil Society Follow-Up Group assumes ownership role in promoting GON compliance with recommendations.
- Agreement signed with SEJUVE for national youth survey initiated July 2006.
- Training of six journalists in Panama in "Investigative Journalism: The Anatomy of Power."
- Subcontracting of IFES for political finance monitoring activities through general election period and beyond.

Obstacles

- Country's social-economical unrest like urban transportation strikes obstructing mobility throughout the city of Managua
- Municipal Governments' lack of political will

iv. Planned Activities by each Sub-IR and LLR for the next quarter

Sub-IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented

- Creation of *Círculos de Transparencia*
- Provide assistance to OEP on various initiatives
- Follow-up activity for Mexico Good Governance forum
- Provide technical assistance to EVA pilot entities

LLR 2.1.2: Implementation of Inter-American Convention against Corruption Commitments

- Bring Miguel Peñailillo, expert on the IACC, to help develop a long-term strategy for civil society to monitor and following up on IACC compliance. In addition, the Program will explore with Mr. Peñailillo to support selected government entities on topics related to LLR 2.1.1.
- Form a group in support of an access to public information system
- Continued “observatorio” in the AN on the Access to Public Information Project Law
- Monitoring of the implementation of EVA by the Executive
- Legal framework comparative analysis
- Programs/TV spots promoting Access to Public Information
- 4 forums to provide information on Access to Public Information

LLR 2.1.3: Improved national government budget transparency, management and execution

- Award grant to IEEPP
- Conduct CSO budget workshops on specific sector (e.g., health, education) budgets

LLR 2.1.5: Initiatives to reduce petty corruption (bribe solicitation) developed and implemented

- Introductory meeting with Minister of Health, Margarita Gudián, to present the Program’s proposal for conducting BSA
- Identify NGO for conducting BSA and design proposal
- Bring Hernán Charosky, expert on this topic, to train NGO to adequately conduct the BSA and apply findings within MINSA to reduce petty corruption

LLR 2.1.6: Key oversight agencies strengthened

- Financially support selective portions of the ODC’s public awareness campaign. This will be done in collaboration with Checchi’s Rule of Law Program

Sub-IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens’ Needs

LLR 2.2.2: *Improved local government budget transparency, management, and execution*

- Implementation of Phase I of the Transparency and Citizen Participation Project's in five municipalities
- Two trainings on municipal legal framework and basic social auditing concepts will be conducted
- Award grant to Red *Nicaragüense por la Democracia y el Desarrollo Local* for continued implementation of these activities

Sub-IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making

LLR 2.3.1: *Strong civil society participation and oversight*

- Finalize municipal over sample for Nicaragua Corruption component of Vanderbilt survey
- Develop a strategy to organize first Regional Transparency Fair
- Explore short-term technical assistance to CONPES for a diagnostic of citizen participation structures
- Award grant to JUDENIC

LLR 2.3.2: *Clear leadership role and ethical standards for the private sector*

- Design a strategy to engage private sector and begin to identify potential partners.

LLR 2.3.3: *Capacity of the media to report on transparency and corruption issues increased*

- Design and implement training on the IACC for a selected group of journalists.

Sub-IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1: *Political parties and elected leaders' accountability improved*

- Award five grants to five different NGOs for implementation of the political finance monitoring 7 month initiative.

LLR 2.4.2: *Improved government ethics and disclosure of assets of public officials and candidates for public office*

- Award grant to *Hagamos Democracia*
- CSO workshop to raise issue of voluntary declarations of assets

II. Administrative Update

- i. Mariela Lanzas, Deputy Program Director, arrived in Nicaragua on April 1 and joined the Program on April 3, 2006.

- ii. No documents were submitted to DEC during this reporting period.

ANNEX I

➤ List of In-Country Training Events

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>FVBCh</u> Workshop on How to Investigate and Access Important Information From the Websites of 8 EVA ¹ Pilot Entities	Access to Public Information	Gives journalists tools to effectively monitor accessibility, quality, reliability, transparency, and efficiency of the information that the Nicaraguan government entities, especially those involved in EVA, are uploading to their websites	April 4-5, 2006	11	18	\$9,000.00
<u>EyT Grant</u> Presentation of the Budgetary Transparency Project to San Marcos' Mayor and CDM ²	Municipal Budgetary Transparency and Execution	Formally introduce project to gain municipal government's acceptance and cooperation for implementation	April 13, 2006	4	7	\$50.00
<u>EyT Grant</u> Formation of Santo Tomás del Norte's CEM ³	Municipal Budgetary Transparency and Execution	Form Committees to conduct social auditing and monitor transparency of budgetary processes and execution	April 19, 2006	4	7	\$50.00

¹ Voluntary Access to Information Strategy

² Municipal Development Councils

³ Municipal Evaluation Committees

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>FVBCh</u> Grant Signing Ceremony	Access to Public Information	Publicly launch initiatives under grant and promote access to information legislation	April 19, 2006			\$500.00
<u>EyT Grant</u> Formation of Diriamba's CEM	Municipal Budgetary Transparency and Execution	Form Committees to conduct social auditing and monitor transparency of budgetary processes and execution	April 19, 2006	0	7	\$50.00
<u>FUNDEMOS Grant</u> Presentation of the Participatory Budgeting Project Chinandega's Municipal Government and CDM	Participatory Budgeting	Formally introduce project to gain municipal government's acceptance and cooperation for implementation	April 19, 2006	10	8	\$630.00
<u>FUNDEMOS Grant</u> Presentation of Chronogram of Activities to Palacagüina's Municipal Government	Participatory Budgeting	Provides detailed information to municipal government for their review and acceptance of proposed activities	April 20, 2006	21	15	\$630.00
<u>EyT Grant</u> Formation of San Marcos' CEM	Municipal Budgetary Transparency and Execution	Form Committees to conduct social auditing and monitor transparency of budgetary processes and execution	April 21, 2006	2	4	\$50.00

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>EyT Grant</u> Formation of Masatepe's CEM	Municipal Budgetary Transparency and Execution	Form Committees to conduct social auditing and monitor transparency of budgetary processes and execution	April 28, 2006	2	5	\$50.00
<u>EyT Grant</u> Formation of El Rosario's CEM	Municipal Budgetary Transparency and Execution	Form Committees to conduct social auditing and monitor transparency of budgetary processes and execution	May 3, 2006	4	5	\$50.00
<u>FUNDEMOS Grant</u> Work plan and Chronogram of Activities Seminar in Chinandega and Palacagüina	Participatory Budgeting	Provides detailed information to municipal government for their review and acceptance of proposed activities	May 16-17, 2006	12	18	\$630.00
<u>EyT Grant</u> Budgetary, Citizen Participation, and Social Control Legislation Workshop in Masatepe, San Marcos, El Rosario, Diriamba	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing	May 16, 2006	11	17	\$400.00
<u>EyT Grant</u> Budgetary, Citizen Participation, and Social Control Legislation Workshop in Santo Tomás del Norte	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing	May 17, 2006	3	6	\$400.00

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>FVBCh</u> Presentation of the Results of the Evaluation of the EVA pilot websites	Access to Public Information	Provide to the Communications Office of the Presidency these results so that the websites can be improved and more user friendly with better quality of information	May 17, 2006	Info not provided	Info not provided	\$300.00
<u>FVBCh</u> II Meeting for Citizens in Favor of a System for Access to Public Information	Access to Public Information	Analyze the advances that the Access of Information Project Law has made within the AN ⁴ and discuss with the presidential candidates the importance of such a system	May 18, 2006	3	3	\$650.00
<u>FUNDEMOS Grant</u> Workshop on Social Auditing targeted towards Palacagüina's municipal government and CDM.	Participatory Budgeting	Provides technical assistance to municipal government and CDMs on social auditing	May 23, 2006	20	29	\$540.00
<u>EyT Grant</u> Survey Methodologies Workshop in Masatepe, San Marcos, El Rosario, Diriamba	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing	May 25, 2006	18	12	\$500.00

⁴ National Assembly

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>EyT Grant</u> Cooperative Agreement Signing Ceremony and Validation of Indicators Session held in Managua	Municipal Budgetary Transparency and Execution	Provided public affirmation of the 5 mayors' willingness to make information accessible to the project.	June 1, 2006	48	47	\$2250.00
<u>EyT Grant</u> Shared Experiences with Guatemalan Expert Roberto Estrada Landaverry in San Marcos, and Diriamba	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing and awareness of what has worked in other countries	June 6, 2006	4	12	\$250.00
<u>FUNDEMOS Grant</u> First Workshop on Social Auditing to communities within Palacagüina which are referred to as Micro Region II	Participatory Budgeting	Provides technical assistance to communities on social auditing to increase citizen participation and monitoring of budgetary processes	June 7, 2006	16	26	\$1,200.00
<u>EyT Grant</u> Shared Experiences with Guatemalan Expert Roberto Estrada Landaverry in Masatepe, and El Rosario	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing and awareness of what has worked in other countries	June 7, 2006	10	7	\$250.00
<u>EyT Grant</u> Shared Experiences with Guatemalan Expert Roberto Estrada Landaverry in Chinandega and Santo Tomás del Norte	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing and awareness of what has worked in other countries	June 8, 2006	18	12	\$250.00

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>FUNDEMOS Grant</u> Training on Social Auditing Targeted Towards San Marcos' Municipal Government and CDM	Participatory Budgeting	Provides technical assistance Municipal Government on social auditing	June 13, 2006	9	9	\$540.00
<u>FUNDEMOS Grant</u> Second Workshop on Social Auditing to communities within Palacagüina which are referred to as Micro Region II	Participatory Budgeting	Provides technical assistance to communities on social auditing to increase citizen participation and monitoring of budgetary processes	June 14, 2006	10	15	\$1200.00
<u>FUNDEMOS Grant</u> Presentation of chronogram of activities to Chinandega's CDM and Social Auditing Training	Participatory Budgeting	Provides detailed information to municipal government for their review and acceptance of proposed activities	June 16, 2006	10	19	\$630.00
<u>EyT Grant</u> Two-day Workshop on the Use and Validation of Evaluation Tools for Social Auditing held in Managua	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing and gives Indicators as Measurement of Progress	June 23-24, 2006	3	8	\$400.00
<u>FUNDEMOS Grant</u> Training on Social Auditing to the Inhabitants of Proyecto Sur in San Marcos	Participatory Budgeting	Technical assistance to communities on social auditing to increase citizen participation and monitoring of budgetary processes	June 24, 2006	1	11	\$540.00

Training Program	Field of Study	Relationship to Objectives	Dates	Female Participants	Male Participants	Total Dollar Amount of Activity
<u>FUNDEMOS Grant</u> Social Auditing Training in Chinandega Targeted Towards Municipal Government and CDMs	Participatory Budgeting	Provides technical assistance to CDMs on social auditing	June 28, 2006	36	34	\$540.00
<u>EyT Grant</u> Second Workshop on the Use and Validation of Evaluation Tools for Social Auditing in Diriamba	Municipal Budgetary Transparency and Execution	Provides technical assistance to CEMs on social auditing and gives Indicators as Measurement of Progress	June 30, 2006	18	12	\$400.00

Panama

Introduction

This quarterly report for April - June, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00 (Central America and Mexico Transparency, Anti-corruption and Accountability Program).

I. Technical Update

i. Key Activities

Following is a description of key activities conducted in this period broken down by Sub Intermediate Results and Lower Level Results.

SUB IR 2.1: More Transparent Systems for Management of Public Resources by the National Government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented.

During the reported period, the Program executed six major activities in support of the National Anticorruption Council:

a) Revisiting the goals and achievements of the National Anticorruption Council and its Executive Secretariat

From November 2005 through the beginning of the reported period, that is, for over five straight months, the National Anticorruption Council (NAC) did not hold any meetings. During that period, several attempts to hold regular working sessions (all of them raised before the Council's Chair) did not bring about the expected results as anticorruption policies took a back seat to "more pressing" items in the national agenda. While the Council's inactivity did not impede the launching of anti-corruption tasks by NAC's Executive Secretariat (most of them with the Program's technical and financial support), it did limit their expected impact.

To breathe life into NAC and to define its immediate future, the Program launched in April 2006 an initial round of interviews with the purpose of assessing its achievements, or lack thereof, one year into its formal inception. By interviewing members of the Council and a selection of external public opinion makers (NGOS, private sector organizations, professional associations, and the Chief Supreme Justice), this activity was aimed at identifying the organizational flaws that hinder its work and promoting the timely adoption of corrective actions.

Their findings were meant to be shown on the Council's session of June 14, 2006 (set on account of the Executive Secretariat's joint intervention with the Program) along with a report on the Council's progress to date. Nevertheless, this session, the first one held after several months, did not go over its full agenda as it turned into a series of charges, mainly by one of the attending parties, against the Executive Secretariat for allegedly exceeding its authority in

the implementation of activities. The Council agreed to address these concerns and review the pending items of the agenda at a subsequent meeting scheduled for July 4, 2006.

In preparation of that meeting, the Program conducted a second round of interviews based on a uniform questionnaire that sought to identify key elements of the objectives and responsibilities of the Council and its Executive Secretariat. Seven of the Council's members were available for the interview and/or responded and returned the questionnaire.

The Program secured the collaboration of the Council's Chair, the President's Chief of Staff, in defining the agenda of the meeting. He dedicated over five hours of his time, distributed in two different days, for this task. Prior sessions had been prepared without its active involvement, thus limiting his commitment and that of other members of the Council in following up on its results. Undoubtedly, the incidents of the Council's prior meeting stimulated his attention.

The Council's July 4 session, whose results will be covered in the next quarterly report, was intended to clearly define, once and for all, its role and responsibilities and those of its Executive Secretariat. To a large extent, this had been resolved with the approval of the Council's strategic plan in October 2005, but the lack of its enactment and subsequent implementation hindered the full understanding of the Council's nature and scope of work. The technical documents that the Program prepared for the Council's following gathering included: a) an outline of the main functions and responsibilities of the Council and its Executive Secretariat (largely based on the findings of the interviewing process), b) a diagram of the public-policy making process and c) an illustrative list of thematic areas to be addressed by anti-corruption policies.

b) Sponsoring the Organization of a Seminar on Government Accountability

On May 23-24, the Executive Secretariat of the National Anticorruption Council held a seminar entitled "Control and Accountability in the Panamanian Public Sector". The Program assisted in the event's technical design, co-sponsored its organization and offered a presentation on the concept of accountability as applied to the public sector.

More than 120 participants from public agencies across government attended the two-day seminar, which featured international specialists, NGO representatives and high-level government officials as speakers (e.g. the Comptroller General, the head of the Budget Directorate, the Inspector General of the Panamanian Canal Authority, Alianza Ciudadana's Executive Director, etc.)

By disseminating best practices, its main objective was to endorse the concepts of "managing for results" and "control and accountability" as tools to promote efficiency, economy, and effectiveness in the public sector.



Accountability Seminar – May 23-24, 2006

c) Leveraging Funds with International Donors to Support the Activities of the National Anticorruption Council

At its request, the Program assisted NAC's Executive Secretariat in drafting two proposals to "develop integrity values in the public sector" and to "monitor compliance with international anticorruption conventions in Panama". The Program's contributions prompted the Inter-American Development Bank's approval of a non-reimbursable fund of \$110,000 for the implementation of both projects. One of the primary purposes of the first project is to update a three-year old diagnostic of public entities in Panama. This, in turn, will serve as the basis for identifying and disseminating lessons learned on integrity practices in the public sector. The monitoring activities of the anti-corruption conventions will be conducted jointly with the Attorney General's Office.

d) Complementing Georgetown University and NAC's Train-the-Trainer Course

The Program worked with NAC's Executive Secretariat and Georgetown University in the design of training activities directed to government officials, civil society and media representatives. These included outlining the objectives, scope, target audience and expected results of a train-the-trainer course on transparency and accountability to be offered in August 2006. Through this initiative the Executive Secretariat seeks to create and consolidate a group of supporters for the implementation of its projects.

The event where the subject course was officially announced, held at the premises of the President's offices, was put together with the logistical support of our Program. Chairing the event were the President's Chief of Staff, the U.S. Ambassador, a Georgetown University representative and most of the members of the National Anticorruption Council. During the execution of the course itself, the Program is likely to provide additional support in the form of specialized training.



Announcement of Georgetown's Train-the-Trainer course

e) Collaborating in the implementation of public outreach activities

The Program assisted in publishing the first issue of “Transparencia y Cambio”, a quarterly which aims at disseminating local and international experiences and materials on access to information, public integrity and accountability. It also reports on activities conducted by the National Anticorruption Council in compliance with its mandate as anticorruption advisor to the Executive branch. 1,000 copies of the journal's first issue were printed, which included articles on topics such as “International Anticorruption Conventions and their Implementation in Panama”, and “Background, Authority and Strategic Plan of the National Anti-Corruption Council”.

Additionally, the Program assisted in drafting the agenda of a public outreach forum that will take place, tentatively, next quarter. At this event, the Secretariat will showcase a series of communication tools that were visualized and developed with the Program's support, such as the first issue of its anticorruption journal. The Secretariat's website and an anticorruption media campaign (to be funded by the private sector) will also be presented at the event.

f) Other support activities in benefit of NAC's Executive Secretariat

As part of the continued assistance provided to NAC's Executive Secretariat, the Program also conducted the following activities: a) assisting in the preparation of a proposal submitted to the Canadian Embassy to fund the staging of an anticorruption theater play; and b) participating at the launching of a Fraud Auditing Seminar jointly organized by the Executive Secretariat with the University of Certified Public Accountants.

Scheduling a joint anticorruption project with the Supreme Court

At the Supreme Court's request, the Program presented a project to “promote transparency and prevent and detect corruption within the Judiciary”. Its specific objectives are to: a) identify preventive actions and penalties to tackle corruption in the Judiciary; b) detect institutional weaknesses of the judicial system; c) present a plan of action to fight corruption in the judicial branch, and d) monitor compliance with the implementation of the Judiciary's integrity/anti-corruption plan.

Following consultations with the Chief Supreme Justice and her technical staff, a revised version of the project was submitted to all nine Supreme Court Justices for their review and

approval. On July 4, the Program received an official notification from the Court clearing the proposed project and requesting its immediate implementation.

Although further assurances on their determination to carry out this project are required (they are ingrained as a series of successive conditions in every stage of the project's execution), its approval may signify the Court's decision to revamp its image by seriously addressing a ubiquitous problem.

In conjunction with the Supreme Court's International Affairs Unit, the Program drafted a schedule for the implementation of this project. Based on the resulting schedule, the Program estimates a 10-month execution period, which could be launched in September 2006. The Program is currently working on an estimated budget.

In the next quarter, the Program may be asked to make an oral presentation on this project before all nine Supreme Justices. Since the next step would imply the signing of a Memorandum of Understanding to formalize its implementation, the U.S. Embassy and USAID would need to make a determination on their stance towards this project. This initiative is expected to complement similar efforts undertaken by the Program in support of the Executive Branch.

Other initial activities with the Supreme Court

On April 17-18, 2006, the Program sponsored the participation as speaker of Eduardo Montealegre, former president of Colombia's Constitutional Court, at a seminar on "Media and Justice: A Required Connection". The event was organized by the Supreme Court and the Panamanian Association of Magistrates and Judges as an alternate event to the Ordinary Assembly of the Latin American Federation of Magistrates. Montealegre offered a presentation on the tensions between media and the Judiciary amid the need to protect freedom of information rights and engender accountability in the courts.

To obtaining additional benefits from Montealegre's presence in Panama, the Program organized in conjunction with, *Alianza Ciudadana*, one of our grantees, a second presentation under the title: "Transparency and Accountability in the Judiciary: A Citizens' Demand and a Good Governance Requirement". This event intended to promote awareness on the links between an independent Judiciary and economic development.

LLR. 2.1.2. Implementation of the commitments of the Inter-American Convention against Corruption (IACC).

Tracking compliance with GOP commitments under international anti-corruption conventions

In collaboration with the Attorney General's Office, the Program drafted a project aimed at adjusting the Panamanian legal framework to the standards of the UN Convention against Corruption. In pursuit of this objective, the Program will follow up next quarter on the contacts initially established with the United Nations Office on Drugs and Crime-UNODC (responsible for the UN Global Program against Corruption).

The Program anticipates obtaining UNODC's support for purposes of disseminating the contents of the Convention and sensitizing key public decision makers and GOP officials (e.g. members of Congress) on the need to support its strict and timely compliance. Furthermore, the Program was instrumental in motivating an encounter between the Attorney General's Office and NAC's Executive Secretariat to complement their activities and avoid the duplication of efforts as central authorities of the UN and OAS anticorruption conventions, respectively.

LLR. 2.1.3 Improved national government budget transparency, management and execution.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact..

LLR 2.1.4: Systemic government deficiencies identified and addressed in key line ministries.

Supporting the implementation of the civil service system

The Program prepared a proposal identifying specific areas of technical and financial support for the Civil Service Directorate in connection with the organization of the First National Congress of Human Resources Managers (August 17-18, 2006).

The Congress seeks to create awareness among high level GOP officials on the need to develop a professional civil service based on merits, expose participants to best practices in the management of human resources, and assess technical criteria for the administration of the civil service system.

On the technical side, the Program will fund the participation as speaker of Julio Fernández Toro, head of the Latin American Centre for Development Administration (CLAD). He will offer the Congress' opening presentation on the topic of "Civil Service Implementation". His agenda will also include one-on-one interviews with high-level GOP officials and potential meetings with the National Anticorruption Council, the Integrity Network of the Solicitor General's Office and the local media. The Program will also support the dissemination of the Congress' resulting "route map", a document that will capture the main conclusions and recommendations for the implementation of the civil service in Panama.

The Program approached the Embassy of Canada unsuccessfully to leverage funds for the organization of the Congress.

LLR. 2.1.5 Initiatives to reduce petty corruption (bribe solicitation) developed and implemented.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR 2.1.6. Key oversight agencies strengthened.

Developing technical capacities at the Office of the Comptroller General (Contraloría)

In the first part of this quarter, the Program carried out several activities in support of the Office of the Comptroller General. These included the following:

a) Improving the capacity of GOP agencies to conduct fraud audits

To follow up on the implementation of a comprehensive training program, the Program offered on April 17-21 a second workshop on fraud auditing to the Office of the Comptroller General. Additionally, selected participants from the Attorney General's Office, the Judicial

Activity	Date	Objective
Dialogue with Anticorruption Prosecutors (2 hours)	April 13, 2006	Experiences on the configuration of specialized groups to investigate fraud and corruption.
Dialogue with analysts from the Financial Intelligence Unit (1 hour and a half)	April 20, 2006	Fraud indicators for the detection and investigation of fraud.
Presentation before members of the Association of Certified Public Accountants (1 hour and a half)	April 20, 2006	The role of a fraud auditor.

Police (PTJ), the Financial Intelligence Unit (UAF) and the Institute of Criminology of the University of Panama attended the course. Thanks to this course, GOP officials from different control agencies met for the first time to discuss and identify coordination mechanisms in relation to the investigation of fraud and corruption.

Taking advantage of his presence in Panama, the Program arranged alternative events for the fraud auditing instructor with individual GOP agencies as described in the table below:



Fraud Auditing Course – April 17-21, 2006

b) Enhancing the efficiency of the Audit Directorate to plan, execute and report on government audits

With the purpose of identifying relevant measures to streamline its performance, the Program conducted a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) of the Contraloría's Audit Directorate. It did so by examining its institutional structure, functions and a sample of audits in progress. The assessment also drew on the review of the Directorate's strategic plan, internal evaluations, and performance indicators for the entity as a whole and its managerial staff.

Subsequently, the Program drafted a chart highlighting the areas which require immediate attention. These comprise the following shortcomings:

- Growing work loads and skewed work priorities.
- Outdated government auditing standards.
- An inefficient organizational structure.
- Inadequate job profiles.
- Inadequate training.
- Inadequate performance indicators.

The resulting diagnostic contained recommendations on how to improve the Audit Directorate's standards and planning, execution and reporting functions.

c) Developing the Public Works Auditing function

The GOP invests more than \$800 million per year on public works that are not audited by an external entity. This situation opens a door wide open to corruption that frequently results in failed or poor quality structures.

In responding to that problem, the Program launched a series of activities in April aimed at developing the Public Works Auditing function at the Office of the Comptroller General. This

involved providing technical support to its National Public Works Directorate (*Dirección Nacional de Ingeniería*) in the design of the following documents:

- a) An annual plan of audits and related documents, such as the sampling and selection criteria of the structures to be audited.
- b) A revamped organizational manual, and
- c) Job descriptions for its staff.

Furthermore, the Program offered a short course on appraisal techniques for the technical personnel of the National Public Works Directorate.

Subject to funding availability and the *Contraloría*'s continued interest in this area, the Program may support next quarter the audit of a large public works in the field. By providing on-site support in the implementation of auditing tools and methodologies, the Program seeks to ensure their proper use in the supervision of public works.

As in other joint projects, the Office of the Comptroller General would be co-sponsoring the costs associated with this activity.

d) Assisting the implementation of the strategic plan of the Office of the Comptroller General

To smooth the implementation of the *Contraloría*'s strategic plan, the Program co-sponsored a series of workshops aimed at engendering an integrated, highly effective and reliable executive team with a common vision. The launching workshop, attended by all the General Directors of the Office of the Comptroller General, took place on April 20. In the next quarter, the Office of the Comptroller General is expected to complete this process.

e) Exposing the Comptroller General of Panama to best practices in government auditing

At the request of the U.S. Embassy in Panama, USAID's Transparency and Accountability Program arranged a series of meetings on May 8-9, 2006 for Dani Kuzniecky, Comptroller General of Panama, with U.S. government officials and representatives from multilateral organizations based in Washington, DC. The meetings were intended to expose him to best practices in government auditing at U.S. agencies and in the units of international institutions whose functions closely resemble those of the *Contraloría*. In concurrence with the Comptroller General's interests, the meetings also pursued a more specific objective: identifying and securing supplementary support from U.S. agencies and international organizations in the form of training and/or IT solutions. That is, actions that would complement the technical assistance and funding already provided by the Program to the *Contraloría*. As described further below (see "Summary of conclusions and recommendations"), these objectives are likely to be met through concrete joint actions with three out of the six entities that the Comptroller visited. These included the following:

- U.S. Government Accountability Office
- State Department's Inspector General
- USAID's Office of Inspector General
- World Bank's Financial Management Sector Board

- Inter-American Development Bank's Office of Institutional Integrity
- International Monetary Fund's Statistics Department

Additionally, the U.S. Embassy in Panama arranged an appointment at the Department of State with Kirsten Madison, Deputy Assistant Secretary at the Bureau of Western Hemisphere Affairs. Kuzniecky spoke with her on the strategic plan of the *Contraloría* and the support that he is receiving from the Program in its implementation. He stressed the relevance of continuous U.S. support in tackling corruption in Panama.

Kuzniecky attended all of the above meetings with Jacinto Wong, Deputy Secretary of the President's Secretariat on Government Innovation and the Program's Director, who set up and coordinated the overall agenda. Ricardo Lombana, Deputy Chief of Mission of the Panamanian Embassy in Washington, DC was also present in most of these encounters. He served as the local logistics coordinator. Following is a brief description of the meetings' highlights and results.

1) Government Accountability Office (GAO)

Functions: It is an agency in the U.S. Congress responsible for investigating all matters related to the receipt, disbursement and application of public funds. It is the U.S. peer of the *Contraloría*.

Hosts: David Walker, U.S. Comptroller General, Don Drach, Director of International Relations, Strategic Planning & External Liaison, Tim Bowling, Managing Director, Quality and Continuous Improvement Jacquelyn Williams-Bridgers, Managing Director, International Affairs and Trade, Carole Willett, Chief Learning Officer, and Kate Brentzel, International Visitors Program Manager,.

Meeting's highlights: In view of the similarity of functions and GAO's worldwide lead on government auditing, the meetings at this institution were by and large the most relevant for the Comptroller General of Panama. While bilateral activities are generally discarded by GAO, which prefers to conduct cooperation projects in a multilateral basis, four potential areas of support were identified:

International Fellowship Program: The Office of the Comptroller General will prepare candidacies for GAO's international fellowship program, held annually at GAO's premises in Washington, DC. Up to three suitable candidates per country may be chosen to attend the 16-week program through a worldwide competitive process. If chosen, the candidates (mid-to senior-level managers from the *Contraloría*), would engage in an intensive course of study in the approaches, techniques, and methods of performance auditing in government. In addition to classroom training, the fellows would observe GAO employees at work in headquarters and in the field.

Network of GAO's Alumni: GAO offered to coordinate technical assistance activities on-site through a network of former GAO employees. Since the workload of its permanent staff forbids them from traveling overseas, GAO has resorted to this type of exchange through recently retired auditors. It has done so in a few countries in Asia. Kuzniecky committed to identifying a list of training and other institutional development needs that could be addressed by GAO retirees. He expressed his interest in receiving this type of support full time for a year in Panama. In particular, Kuzniecky seeks to rely on a GAO alumnus to help him implement a modernization process at the Audit Directorate of the Office of the Comptroller General and to potentially adapt and train Panamanian auditors on the use of GAO's Eagle.

The Electronic Assistance Guide for Leading Engagements (also known as EAGLE) is a software tool that guides GAO staff through the audit management process. It links to key parts of Government Auditing Standards and GAO's policies, guidance, and audit

documentation requirements. It is used extensively to help GAO's staff apply professional standards and policies and guidance to each phase of an audit.

Virtual Training: GAO is interested in exploring the possibility of conducting brief technical assistance activities and/or training through videoconferencing. It was explained to GAO that USAID/Panama has done so in the past in conjunction with the World Bank. USAID has already established contact with the World Bank's distance learning unit (Global Development Learning Network) to advance a potential project in this area.

Transformation seminar: GAO is planning to hold a seminar for a selected number of Comptroller General's from around the world (up to 20) in May or June 2007. Its objective is to share best practices and lessons learned on the challenges of the XXI century for supreme audit institution. Kuzniecky stated his interest in attending this seminar.



2) USAID's Office of Inspector General

Functions: The Office of Inspector General is responsible for providing auditing and investigative services to USAID and other corporations, such as the Millennium Challenge Corporation. Its major responsibilities are to detect and prevent fraud, waste, abuse, and violations of law and to promote economy, efficiency, and effectiveness.

Hosts: Donald A. Gambatesa, Inspector General, Michael G. Carroll, Deputy Inspector General, Joseph Farinella, Assistant Inspector General for Audit, Adrienne R. Rish, Assistant Inspector General for Investigations.

Meeting's highlights: In response to USAID/Panama's suggestion, the OIG is entertaining the idea of offering technical assistance and training on fraud awareness in Panama. It would do so through its regional office in El Salvador. The Fraud Awareness course, whose materials (a Fraud Indicator Manual) and classes are available in Spanish, is directed to government officials at all levels rather than specifically towards auditors. Its purpose is to assist its participants in identifying circumstances and conditions where fraud and/or corruption may be taking place, thus limiting its occurrence and facilitating its early detection. The Office of the Comptroller General could arrange the participation at this course from representatives of public agencies across government. Subject to the *Contraloría's* confirmed interest, the Program will establish contact with the regional OIG office to follow up on this issue.

3) Department of State's Office of Inspector General (OIG)

Functions: The Department of State's OIG inspects each of the approximately 260 embassies, diplomatic posts, and international broadcasting installations throughout the world, to determine whether policy goals are being achieved and whether the interests of the United States are being represented and advanced effectively.

Hosts: Howard Krongard, Inspector General and Robert B. Peterson, Assistant Inspector General.

Meeting's highlights: The Department of State's Office of Inspector General is not in the position of offering direct technical assistance to the Office of the Comptroller General, but offered to put Kuzniecky in touch with the head of the recently created U.S. Inspector General Institute (IGI). This entity serves the Inspector General community by offering a diverse curriculum of over 40 courses for government auditors at all grades and experience levels. It also provides training to develop investigative skills aimed at detecting waste, fraud and abuse in government programs and operations.

4) International Monetary Fund's (IMF) Statistics Department

Functions: The Statistics Department contributes to the IMF's technical assistance and capacity-building in its member countries. It also serves as a standard source of international statistics on all aspects of international and domestic finance.

Hosts: Alfredo Leone, Deputy Director, Anthony Pellechio, Deputy Division Chief, Antonio Galicia, Senior Economist and Lisbeth Rivas, Senior Economist.

Meeting's highlights: The Comptroller General requested this meeting to follow up on an earlier visit to Panama by a mission of the Statistics Department of the International Monetary Fund. Kuzniecky was particularly interested in obtaining financial support from the IMF to conduct unemployment polls and/o Statistics training for its staff. The IMF's reaction did not seem to suggest that it may support these initiatives. Kuzniecky asked the IMF to coordinate with him directly in matters relevant to his office, regardless of any contacts with the Ministry of Economy and Finance.

The IMF alluded to the need of extracting the Statistics unit from the *Contraloría*, such as in the cases of Chile, Brazil and Mexico where they are autonomous from any other government agency, but according to Kuzniecky that would require a constitutional amendment in Panama, which is unlikely to occur in the short term. In Kuzniecky's opinion, the staff at the Statistics Unit is the most professional at the Office of the Comptroller General. They are receiving preferential treatment in terms of international training.

5) Inter-American Development Bank's Office of Institutional Integrity (OII)

Functions: The OII is an independent unit within the Bank, whose Chief reports directly to the President. It is staffed with lawyers, accountants, and analysts. It is mainly responsible for receiving and investigating allegations of corrupt or fraudulent activities or unethical behavior involving Bank-financed activities or Bank staff.

Hosts: Fernando Eleta, Executive Director for Panama at the Inter-American Development Bank (IDB), Stephen Zimmerman, Chief of the Office of Institutional Integrity, Roberto de Michele, Senior Policy Advisor, Lydia Pelegrin, Principal Investigator and Hugo Betancor, Modernization of State Specialist,

Meeting's highlights: The meeting at the IDB's Office of Institutional Integrity, hosted by Panama's Executive Director, revolved around alternatives for training on fraud detection and investigation and government procurement practices. Kuzniecky was referred to Argentina's electronic model (developed by current IDB officials) for the reception and handling of assets disclosure by GOP officials. Although these proposals did not translate into more specific collaboration schemes, subsequent contacts at the Bank revealed its willingness to back up any support request coming from the Office of the Comptroller General. A non-reimbursable donation may not be available at this time, but it is feasible to locate funds from a line of

credit already opened, but not executed, in Panama. USAID/Panama will encourage the Office of the Comptroller General to explore opportunities to complement the funding of its institutional development strategy through the local mission of the Inter-American Development Bank. This would have to be done in close collaboration with the Ministry of Economy and Finance, the IDB's liaison in Panama.

6) World Bank's Financial Management Sector Board

Functions: The Financial Management Sector Board has overall responsibility for financial management in World Bank operations. Financial management is an integral part of the development process, in the public sector it ensures accountability and efficiency in the management of public resources, and in the private sector it promotes investment and growth.

Hosts: Anthony Hegarty, Head of the Financial Management Sector Board, Roberto Tarallo Chief Financial Management Officer for Latin America and the Caribbean

Meeting's highlights: Dani Kuzniecky stressed the interest of his office in becoming the auditor of World Bank operations in Panama. This would not only represent a source of revenues for the *Contraloría*, but it would also encourage it to raise its audit quality standards to meet World Bank guidelines. The World Bank's Chief Financial Management Officer for Latin America and the Caribbean offered to take a gradual approach prior to resorting to the *Contraloría* as an auditor of World Bank projects. In light of a recent Country Financial Accountability Assessment, carried out with the Inter-American Development Bank, the World Bank identified key areas of improvement at the *Contraloría*, such as monitoring compliance with its recommendations and assisting in improving internal controls at GOP agencies. It offered to partner with the *Contraloría* in addressing these issues. If the World Bank detects improvements in these areas, it is willing to take its support to another level.

Summary of conclusions and recommendations:

- The Comptroller General of Panama seemed to be highly satisfied on the results of his meetings in Washington, DC and expressed his gratitude to USAID/Panama and the U.S. Embassy for putting together his agenda. He was at first skeptical on the benefit of two of these encounters (specifically the ones at the World Bank and the Inter-American Development Bank), but apparently came out of all of them convinced about their usefulness as preliminary steps to obtaining supplementary technical support for the *Contraloría*.
- Subject to the Comptroller General's follow up, the most likely projects to materialize into concrete support activities would be the ones listed above with the U.S. Government Accountability Office (GAO), the USAID's Office of Inspector General and the Inter-American Development Bank.
- The exposure to GAO's model of government auditing "opened the eyes" of the Comptroller General on the direction that the *Contraloría* has to take in regards to its institutional development. By replicating GAO's approach, Kuzniecky believes that the *Contraloría's* workload ratio should be inclined towards conducting performance audits (described as "systematic examinations of a public sector program and procedures to provide an assessment of whether the entity has achieved economy, efficiency and effectiveness in the use of its resources") as opposed to financial audits. Nevertheless, there are fundamental shortcomings that the *Contraloría* should address first. For instance, the most elementary task of a supreme audit institution, conducting financial audits, (determining whether government entities are carrying out their assigned tasks, spending funds for intended purposes, and complying with laws and regulations) is done in a deficient manner. In layman terms, the *Contraloría* has to learn to walk prior to

running. Its staff is hardly prepared to handle more complex tasks without mastering basic skills first. Kuzniecky has the opportunity, within his short period in office, to direct the *Contraloría* in the right path.

- Kuzniecky showed a particular interest in carrying out joint activities with GAO, specifically through its Fellowship program and the use of a GAO retiree stationed in Panama. Both of them would require substantial resources (probably over US\$300,000) not currently available at USAID. A strategic plan has already been devised for the *Contraloría* and its implementation is currently underway. Rather than bringing GAO alumni to launch a project from scratch, his/her/their time and expertise may be most effectively used by addressing, through periodical visits, specific issues within the existing strategic plan.
- To avoid a duplication of efforts and to take full advantage of its permanent team of on-site experts, USAID/Panama may serve as the overall coordinator of technical support to be provided to the Office of the Comptroller General.

f) Encouraging the implementation of a national training program on government procurement oversight

In an attempt to reignite a dormant initiative aimed at preparing pre-control officials on government procurement oversight, the Program made several contacts with the new head of the Pre-control Directorate. Under a plan devised in January 2006, facilitators trained by our Program in this field were meant to replicate courses nationwide to benefit 700 pre-control officials over a period of twelve months. As a result of this contact, the activities proposed by our Program were expected to start in July. Nevertheless, at the time of the preparation of this report, no concrete actions had been taken to launch this activity.

g) Promoting control over government revenues

Auditing efforts in Panama concentrate on monitoring budget expenditures. In contrast, there is no control over income generated by the State through taxes and duties (e.g. income taxes, cadastre, and customs), which may amount to a significant number. In response to this concern, the Program, along with its main liaison at the Office of the Comptroller General, worked with an income audit specialist in preparing the syllabus of a training course on “Public Revenues Auditing”. Two training sessions on income auditing were set to be offered to a group of 40 government auditors (to be selected from the *Contraloría*’s Audit, Information Technology, Statistics, Accounting, and Legal Directorates). In this case, the *Contraloría* was also unsuccessful in moving this project forward for reasons unbeknownst to the Program.

Moving forward joint activities with the Attorney General’s Office⁴

Throughout the reported period, the Program advanced three major initiatives in support of the Attorney General’s Office: a) the institutional revamping of its Anti-Corruption Public Prosecutors’ Offices; c) the design of a course certificate (*Diplomado*) on the investigation and criminal prosecution of corruption; and c) the organization of a regional workshop of Attorneys General on the investigation of corruption and the recovery of ill-gained assets.

⁴ As permissible by FAA Section 534(b)(3), the technical assistance and training provided to the Anti-Corruption Units at the Attorney General’s Office is limited to enhancing their institutional capacity to conduct fraud investigations and promote closer coordination schemes with other GOP agencies.

Additionally, the Program supported the organization of a seminar which showcased US experiences on the implementation of inter-agency strategies for the criminal prosecution of corruption. Following is a brief description of each of these activities.

a) Supporting the reorganization of the Anti-Corruption Public Prosecutors' Offices (Fiscalías Anticorrupción)

The Program spent a significant share of its efforts this quarter towards advancing the restructuring process of the three Anti-corruption Public Prosecutors' Offices. This initiative's main objective is to set up a single, unified and revamped entity. The Program managed to effectively involve the heads of these units and over 15 high level government officials at the Attorney General's Office (including, the Deputy Secretary General, and personnel from the international, legal, human resources and administrative units).

As a direct result of our intervention, the Attorney General set up a Special Commission to act upon our recommendations to streamline the *Fiscalías* performance. Prior to the Commission's creation, the Attorney General had already taken action on some of the Program's immediate suggestions. For instance, she transferred all the cases of a financial impact of less than \$5,000 to an external unit. Additionally, all three Anti-corruption Public Prosecutors currently work in the same location and jointly attend judicial proceedings to support each other.

At the Program's suggestion, the Special Commission was divided into three Sub-Committees: 1) a Technical Committee, 2) a Human Resources Committee, and 3) an Administrative Committee. Their work will facilitate a coordinated effort at the Attorney General's Office in the implementation of actions to modernize investigative methodologies.

The Program forms part of the Special Commission in the role of technical advisor and overseer of the sub-committees' performance. In such capacity, the Program participated actively in the Commission's launching session in May, coordinated eight sub-committees' working meetings and an additional plenary session. As a result, all three sub-committees drafted a plan with their objectives, expected results, tasks and a schedule for their implementation. Our direct participation is enabling the Program to push forward the adoption of relevant actions.

To formalize the technical support that the Program is offering to the Anticorruption Public Prosecutors' Offices, the Program was asked, subject to USAID's concurrence, to sign a Memorandum of Understanding (MOA) with the Attorney General's Office. The signing of a MOA with USAID would further commit the Attorney General's Office to adopting the recommendations presented by our Program in this and other related projects (e.g. monitoring compliance with the UN Convention against Corruption). The Attorney General's Office is expected to return early next quarter a revised version of the MOA presented by USAID/Panama for its consideration.

b) Course certificate on the investigation and criminal prosecution of corruption

As part of the above project, the Program drafted the syllabus of a comprehensive training plan on the Criminal Investigation of Corruption, which will be offered to the staff of the Anticorruption Public Prosecutor's Office currently in formation. As an incentive to its participants, the training program will be offered in the form of a Postgraduate course (*Diplomado*) in collaboration with the Institute of Criminal Studies of the University of Panama (ICRUP).

It will be divided into seven modules, equivalent to 216 academic hours, to be offered, tentatively, from September 2006 through January 2007. Some of the training components include courses on: 1) Introduction to Corrupt Practices, 2) Forensic Auditing, 3) Money Laundering and Recovery of Corruption Proceeds and 4) Oral Trials Techniques.

All training courses respond to specific recommendations of an international specialist and the identified needs of the local personnel. The Program intends to fund the participation as instructors in this course of three international specialists. Additionally, it would offer, through its own full time staff, the course's introductory module. To date, the Program has already assessed the profile and identified the names of the instructors (national and international) of the courses' modules.

Since two anticorruption experts from the United Nations Office on Drugs and Crime (UNODC) would be in Panama in late September 2006, they were also invited by the Program to participate as co-instructors of one of the training modules (likely the introductory one).

c) Promoting regional ties and the adoption of coordinated mechanisms for the criminal prosecution of corruption

The Program continued working on the organization of a regional workshop of Attorneys General under the theme "Identification and Adoption of Effective Strategies for the Criminal Prosecution of Corruption and the Recovery of Ill-Gained Assets". Through this event, the Program seeks to commit its main participants, that is, public prosecutors from Central America, Panama and other selected countries, into sharing experiences and adopting best practices of the investigation of corruption and the recovery of corruption proceeds. Specifically, the Chief Public Prosecutors of Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras Nicaragua and Panama are expected to attend this encounter. Furthermore, this event, scheduled to take place in Panama on August 24-25, 2006 seeks to materialize into concrete actions the proposals set forth at their earlier virtual encounter held in January 2006. The Program secured a large portion of the event's costs from the Embassy's Narcotics Affairs Section, which will finance, among other items, travel and lodging expenses for all visiting Attorneys General and the workshop's facilitator.

In conjunction with the workshop's facilitator, a renowned international specialist who served as Anticorruption Prosecutor in Peru, the Program drafted the agenda and methodology of the event. Its scope will focus on four key topics: a) international cooperation mechanisms, b) witness cooperation procedures, c) precautionary measures and e) inter-agency cooperation.

At the Program's suggestion and in close coordination with the U.S. Embassy in Panama, a high level official from the U.S. Department of Justice has also been invited to attend the workshop. Originally, the Program explored the possibility of featuring U.S. Attorney General Alberto Gonzales as the encounter's main speaker, but he was unavailable to come to Panama on the proposed dates. During the workshop's closing session, his replacement would be offering a presentation on the experiences of the US Department of Justice in the implementation of mechanisms that promote the effective prosecution of corruption.

As an outcome of this event, the Program expects that the participating Attorneys General will sign a declaration of intent to promote the adoption of tools and regulations in their respective countries to facilitate the investigation of corruption and the recovery of ill-gained assets.

d) Other activities in support of the Attorney General's Offices

In support of the Attorney General's Office, the U.S. Embassy's Narcotics Affairs Section (NAS) designed the program of a two-day conference (May 31-June 31, 2006) to promote the concept of a strike force or team-style anticorruption investigation and prosecution in Panama. An FBI agent, a U.S. District Attorney and a Police Internal Affairs Officer from the state of Massachusetts were invited to serve as the event's speakers. They shared their experiences on the advantages of a collective effort, information-sharing and a united front against public corruption. Their presentations were offered to staff of the Attorney General's Office and selected invitees on the first day of the seminar and to members of the National Police on the second one.



NAS Conference on Anticorruption Task Forces

The Program supported this activity by presenting suggestions to the U.S. Embassy and its local co-organizers on measures that could extend the impact of the seminar and facilitate the adoption of anti-corruption best practices. Specifically, the Program recommended extending invitations to other GOP agencies that would support the activities of a strike force or would need to understand how it would operate (e.g. Technical Police, National Police, Office of the Comptroller General, Financial Intelligence Unit and the Judicial Branch). Furthermore, the Program prepared and submitted background material on the status of the investigate capacity of the Attorney General's Office to the conference speakers. It also suggested disseminating the conference's findings and conclusions among the media and key public decision makers (specifically, selected members of the National Assembly).

SUB IR 2.2: Increased Devolution of Responsibilities and Resources to the Local Level Resulting In Greater Responsiveness by Local Governments to Citizens Needs.

LLR. 2.2.1 Improved decentralization policy framework.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR. 2.2.2 Improved local government budget transparency and accountability standards in selected municipalities.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

SUB IR 2.3: More Opportunities for Citizen Participation in and Oversight of National Government Decision-Making.

LLR 2.3.1: Strong civil society participation and oversight.

Small grants program: Alianza Ciudadana

Below is a list of highlights in connection with *Alianza Ciudadana's* grant. They are broken down into the three major components of their project, which is being implemented in close collaboration with the Program's technical staff.

a) Activities to promote citizen participation in the justice reform process

- Organized and/or participated in several public outreach events (presentations, seminars, media interviews) to disseminate information on the criminal justice reform and the jury and oral trials system.

b) Activities to monitor the implementation of recommendations issued by the Justice Sector Reform Commission

- Induced the adoption of a methodology to monitor compliance with the recommendations issued by the Justice Sector Reform Commission. This took place at a gathering of the Justice Sector Reform Commission, called out by Alianza Ciudadana, to address the perceived lack of actions on the suggestions issued by this entity six months earlier.
- Conducted a series of public review and consultation meetings on the proposed reforms to the Lawyers' Profession Act, the Judicial Code and the Judicial Civil Service Regulations. These are some of the key thematic areas arising from the Justice Sector Reform Commission.

- Met with the Commission responsible for drafting the Criminal Code and the Criminal Procedures Code to request draft copies of both documents. At this meeting, Alianza also proposed the organization of a joint public consultation process and reiterated its intent to support the criminal reform process and widely disseminate its results.
 - Provided recommendations to the Ministry of the Interior and Justice (*Ministerio de Gobierno y Justicia*) in relation to the adoption of an anti-crime strategy.
- b) Activities to establish a network of media and civil society organizations responsible for overseeing the prosecution of high profile corruption cases
- Began the development of an Internet site to monitor judicial proceedings on high-profile corruption cases. The draft site, currently available at <http://200.46.253.4>, will also offer information on daily corruption news from Panama's largest circulation newspapers, technical studies, articles and events on the detection and prevention of corruption and domestic and international anticorruption standards and regulations. Interactive participation from the site's users will be promoted through web based forums, surveys and newsletters. In close coordination with Alianza Ciudadana, the Program drafted the overall design and structure of this site.



Fighting corruption at the community level

Promoting citizen-driven initiatives to fight corruption at the local level

At request of Alianza Ciudadana pro Justicia, the Program traveled to Santiago de Veraguas on May 17 to conduct a range of activities aimed at encouraging civil society participation in the execution of anticorruption projects. These included radio interviews, town hall meetings and presentations before civil society organizations and university students on the nature of corruption and the tools available to tackle it.

Despite their interest in scrutinizing their local government's performance, civil society groups at the provincial level are seldom exposed to anticorruption best practices nor they are motivated to conduct transparency activities. The Program sought to fill the gap by initiating this type of contact and disseminating information on strategies to involve civil society in anticorruption efforts. Their attention centered on topics such as securing access to government records, promoting government's accountability in regards to the Canal of Panama's expansion and receiving training on the execution of social audits.

LLR. 2.3.2 Clear leadership role and ethical standards for the private sector.

Establishing strategic alliances with the private sector to promote their sponsorship of public awareness campaigns against corruption

As a result of the Program's intervention, private sector entities, TV stations and government agencies signed a memorandum of understanding with the Panamanian Association of Businessmen/women (APEDE) to take part in a public outreach campaign aimed at promoting ethical values nationwide. This initiative relies, as one of its main features, on the use of commercial products and services of a graphic design that symbolizes the fight against corruption in Panama (that is, an anti-corruption logo). The entities that became involved in this effort included the Panamanian Credit Association (APC), FETV Channel 5, Pan-American Outdoor Advertising, YMCA and the Attorney General's Office. In preparation for this event, the Program designed materials and brochures detailing the concept and purposes of the public outreach campaign.

In the case of APC, the local credit rating agency, the Program offered a one-hour presentation on fraud and anti-corruption awareness for its entire staff. The event was followed simultaneously by their regional office in Chiriqui. APC was the first private sector entity to endorse the use of the anticorruption logo through its credit reports and its website. Their 800,000 database of customers places them in a privileged position to convey massively the subject message.



Fraud Awareness course at the Panamanian Credit Association

Furthermore, by collaborating with other campaign advocates (namely Alianza Ciudadana), the Program established initial contacts with organizations, such as TV Channel 2, Super 99 (a supermarket chain) and Banco General, so that they may also join their private sector counterparts in this endeavor in the near future. In the following quarter, the Program expects to visit the Banking Association, a Network of ATMs, movie theater chains and the national lottery for the same purpose. Additionally, the head of the National Income Directorate at the Ministry of Economy and Finance expressed her interest in launching a public awareness campaign among her staff on the pervasive effects of corruption through specialized training and the use of the anti-corruption logo.

Promoting Anticorruption Efforts through Public-Private Sector Alliances (GDA Proposals)

In the last part of the quarter, the Program focused a significant share of its time on promoting the filing of proposals to USAID's Global Development Alliance (GDA). It established contact with several private sector and civil society entities such as the National Center on Competitiveness, the Panamanian Association of Businessmen/women, the Panamanian Credit Rating Agency, Transparency International's local chapter, FETV (a local TV channel), and NGOs (*Alianza Ciudadana pro Justicia* and *Integrarse*, an entity specialized in the area of corporate social responsibility). Overall, they presented nine proposals requesting matching funds to co-sponsor their respective projects in the area of governance, anticorruption and civil society participation. In most of these cases, the Program provided general advice on the preparation of their proposals.

Broadcasting of short-subject films on anticorruption

To further advance its public awareness strategy, the Program requested and obtained concurrence from Mexico's Ministry of Public Administration to disseminate its "Cineminutos contra la Corrupción" in Panama. "Cineminutos" are film vignettes, suitable for movie theaters, television public service announcements or group discussions that depict the causes and consequences of corruption in daily life. The Program met with representatives from FETV, a local TV channel, to stimulate their involvement in disseminating a selection of six of them through their nationwide coverage. By leveraging resources with private organizations, such as FETV, the Program anticipates bringing together more partners in these efforts. Ultimately, the objective is to stimulate the production in Panama of similar short subject films.

Assisting the development of the Panamanian Association of Fraud Examiners (APEF)

The Program provided partial assistance in the development of the Panamanian Association of Fraud Examiners (APEF), a non-profit organization created to produce and disseminate specialized information on fraud detection and prevention in different sectors of the local economy. Specifically, to help APEF raise funding for its daily operations, the Program co-organized a Seminar on Fraud Auditing on April 20. The same international specialist brought by our Program to support the Office of the Comptroller General served as the seminar's speaker. The event was hosted by the Educational Unit of the Certified Public Accountants Association.

LLR. 2.3.3 Capacity of the media to report on transparency and corruption issues increased.

In accordance with the Mission's priorities, the Program does not anticipate conducting direct technical assistance and/or training activities to increase the capacity of the media to report on transparency and anticorruption issues. Nevertheless, in a future stage of *Alianza Ciudadana's* project (see "LLR 2.3.1 Strong civil society participation and oversight"), a web based site will be launched to promote cooperation between the media and civil society to monitor judicial proceedings of high profile corruption cases.

SUB IR 2.4: Accountability of Elected and Appointed Officials Improved.

LLR. 2.4.1 Political Party and elected leaders' accountability improved.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR. 2.4.2 Improved government ethics and disclosure of assets of public officials and candidates for public office.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

➤ **List of In-Country Training Events**

Training Program	Field of Study	Relationship to the objectives of the Contract	Date	Estimated Cost	Female Participants	Male Participants
Fraud Auditing	Gov't Auditing	LLR 2.1.6	April 17-21, 2006 (40 hours)	\$7,313.43	10	18
Appraisal techniques – Public Works Auditing	Gov't Auditing	LLR 2.1.6	April 27-28 (Two courses of three hours each)	\$2,708.94	5	10

ii. Other activities:

Other project activities throughout this quarter included the following:

Establishing Initial Contacts with the Trilateral Commission for the Investigation and Prosecution of Money Laundering and Terrorism

On June 30, the Program coordinated a preliminary meeting between the U.S. Embassy's Economic Section (charged with overseeing the Embassy's activities in the area of money

laundering) and the GOP's Trilateral Commission for the Investigation and Prosecution of Money Laundering and Terrorism. The Commission, created in August 2005, is composed of representatives from the President's Financial Investigation Unit, the Judiciary and the Attorney General's Office. Its stated goals are to 1) set up coordination mechanisms among GOP agencies involved in the investigation and prosecution of illicit financing activities, 2) develop training programs against money-laundering, 3) assess the legal standards in the subject matter and 4) compile statistical data related to anti-money laundering activities.

To effectively launch activities in the above areas, the Trilateral Commission requested the Embassy's and our Program's support in the design of its strategic plan (our Program was referred to the Commission as a direct result of its work with the Attorney General's office). At our joint request, the Commission is expected to address a formal support petition to the Embassy's Economic Section. Subject to the U.S. Embassy's and USAID's concurrence, our Program offered to assist the Trilateral Commission in putting together its strategic plan. This task would be supported with our own in-house resources over a period of approximately three days.

Exploring partnership opportunities with international non-governmental organizations

In June, the Program held working meetings and exchanged ideas on potential joint projects with the Due Process of Law Foundation-DPLF (a non-governmental organization based in Washington, DC, that seeks to promote the reform and modernization of national justice systems). The DPLF is in the initial stages of launching a regional project in Central America, funded by the Open Society Institute, which seeks to promote transparency within the Judiciary.

Promoting ethics among university students

On May 26, the Program co-sponsored an oratory contest among university students on the topic of "Ethical Behavior as a Citizen's Responsibility". The event was jointly organized by the Panamanian Association of Businessmen/women (APEDE) and the Junior Chamber of Commerce. Students representing six local universities participated in this event.



Oratory contest – May 26, 06

iii. Achievements and Obstacles

Some of the Program's achievements in this quarter include the following:

- Motivating a much needed self-introspection process at the National Anticorruption Council (NAC) with the purpose of revisiting its goals and achievements to date. The Program secured the collaboration of the President's Chief of Staff in this effort, whose active involvement is vital to moving the Council's strategic objectives forward.
- Assisting NAC's Executive Secretariat in drafting a project to monitor compliance with international anticorruption conventions. This prompted the Inter-American Development Bank's approval of a non-reimbursable fund of \$110,000 for its implementation.
- Providing technical support to NAC's Executive Secretariat in the design and launching of seminars, training programs and public outreach activities.
- Advancing the process to set up a single and revamped entity at the Attorney General's Office responsible for prosecuting high profile corruption cases. One of the key features of this project was the creation, at the Program's request, of an internal committee that will oversee the execution of our recommendations to streamline corruption investigation strategies and techniques. The Program managed to involve more than 19 top-ranked officials from the Attorney General's Office in the committee's work.
- Drafting the syllabus, in conjunction with the Institute of Criminology of the University of Panama, of a comprehensive training plan on the Criminal Investigation of Corruption. This course, to be offered as a postgraduate certificate, will be directed to the staff of the Anticorruption Public Prosecutor's Office currently in formation.
- Finalizing the agenda and methodology of a regional workshop of Attorneys General on best practices for the criminal prosecution of corruption and the recovery of ill-gained assets. The Program is organizing this event in collaboration with the Attorney General's Office of Panama and the US Embassy. The Chief Public Prosecutors of Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua are expected to attend this encounter. Furthermore, at the Program's suggestion, the U.S. Deputy Attorney General will be featured as speaker at the closing session of the event.
- Obtaining approval by the plenary of the Supreme Court to carry out a project to "promote transparency and prevent and detect corruption within the Judiciary". Subject to USAID's approval, the project is expected to be launched in September 2006.
- Gathering a multi-agency group of GOP officials (from the Office of the Comptroller General, the Attorney General's Office, the Judicial Police and the Financial Intelligence Unit) who were trained simultaneously on Fraud Auditing methodologies. All of these agencies are involved, at different levels, in the prosecution of corruption, thus the relevance of coordinating their efforts and improving their capacity to detect and investigate fraud.
- Exposing the Comptroller General of Panama to best practices in government auditing by arranging a series of meetings for him with the U.S. Comptroller General, the Inspector

General of USAID, the Inspector General of the Department of State and World Bank and Inter-American Development Bank Officials whose functions relate closely to those of Supreme Audit Institutions.

- On June 10, the National Assembly approved a new Public Contracting Act. During the Act's consultation stage, the Program contributed with observations and comments that were reportedly incorporated into the final draft. This law allows for the use of IT and web based technologies in connection with public procurement mechanisms. This is intended to expedite and make government contracting processes more transparent. Its application will be mandatory for all government agencies (central, autonomous and semi-autonomous entities) and for those entities where the State is a major stockholder.
- Promoting compliance with the recommendations issued by the Justice Sector Reform Commission through monitoring activities conducted by Alianza Ciudadana, the Program's grantee.
- Securing support and involvement of the private sector in a public outreach campaign aimed at promoting ethical values nationwide. The Panamanian Credit Agency was the first private sector entity to endorse the use of the anticorruption logo, one of the key features of such campaign, through its credit reports and its website (a universe of 800,000 clients).

Obstacles/Challenges

Office of the Comptroller General (*Contraloría*):

In the latter part of this quarter, most of the activities driven by our Program at the *Contraloría*, such as government oversight courses or the proposed course of action at the Public Works Directorate, were not sustained by our counterpart and gradually came to a halt. Furthermore, upon the Comptroller General's visit to Washington, on numerous occasions, the Program requested a working meeting with him. The intended encounter sought to follow up on collaboration projects put forward by US agencies and international entities, but our efforts proved unsuccessful. In the hope of eventually building a direct relationship with the Comptroller General, a key issue to moving forward all dormant initiatives, the Program's immediate strategy was to approach one of his closest advisors. This, however, did not bring about the expected results either.

The lack of sustained actions by the Office of the Comptroller General seems to be the result of deviating priorities. Whereas the Program launched initiatives aimed at strengthening the core business of the *Contraloría* (its Audit and Pre-control Directorates), the Comptroller's main interest rely in other areas, namely e-government, rationalizing government expenditures and setting up an anticorruption hotline. Recent personnel changes, such as in the case of the Pre-control Directorate, also had a negative impact on the activities spearheaded by the Program.

To reawaken our activities at the *Contraloría*, the Program presented a new support proposal for the Comptroller's consideration that responds directly to his interest for obtaining high-

level advisory services with ample international experience in supreme audit institutions. If approved, this initiative is expected to prop up our activities at the Office of the Comptroller General and to maintain a high-level support for their continued implementation.

Justice Reform Commission:

On June 8, the Commission responsible for drafting the new Criminal Code and Criminal Procedures Code presented both documents to the President. This was meant to be a major step in advancing the state agenda for Justice Reform, but an early review of the codes revealed inconsistencies between their earlier versions (developed by a technical sub-committee chaired by USAID-supported Alianza Ciudadana) and those submitted to the Executive cabinet. For instance, slander and libel were not eliminated as crimes from the latest version of the Criminal Code. In the next quarter, Alianza Ciudadana, the Program's grantee, will organize public discussion forums to closely assess the proposed legal instruments.

iv. Planned Activities by each Sub-IR and LLR for the next Quarter

Following is a projection of some of the tasks that the program anticipates conducting during the upcoming quarter:

A. Sub IR 2.1: More transparent systems for management of public resources by the national government

LLR 2.1.1: National anti-corruption/transparency strategy completed and implemented

Defining the immediate scope of work of the National Anticorruption Council

In preparation for their subsequent sessions, the Program will assist the National Anticorruption Council in developing concrete proposals for the design of anticorruption policies in the respective fields of each of its members.

Collaborating in the implementation of activities by the Executive Secretariat of the National Anti-corruption Council

The Program will continue working with the Executive Secretariat in promoting the implementation of the following activities. a) Providing local support to Georgetown University in conducting a "train the trainers course" for the design of anticorruption policies and strategies, b) Offering four conferences on internal controls and risk assessment mechanisms before the Association of Certified Public Accountants, the University of Panama, Government Internal Auditors and Government Procurement Units; c) Designing the agenda for a week long of public outreach events on transparency and anticorruption entitled "Second National Transparency Week", and d) Coordinating tasks with the Attorney General's Office on monitoring compliance in Panama with international anticorruption conventions.

Launching a joint transparency initiative with the Supreme Court of Justice

Subject to USAID's approval, the Program will initiate the design of a comprehensive strategy to prevent, detect and punish corruption in the Judiciary.

LLR 2.1.2: Implementation of the commitments of the Inter-American Convention against Corruption (IACC)

Promoting compliance with UN Anti-corruption Convention

In collaboration with the Attorney General's Office and NAC's Executive Secretariat, the Program will draft a project aimed at adjusting the legal framework in Panama to the standards of the UN Convention against Corruption. In doing so, it will follow up on early contacts with the United Nations Office on Drugs and Crime (responsible for the UN Global Programme against Corruption) to explore the possibility of obtaining their support in building technical capacities and disseminating the contents of the UN Convention against Corruption among key GOP officials.

LLR 2.1.3: Improved national government budget transparency, management and execution

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR 2.1.4: Systemic Government deficiencies identified and addressed in key line ministries

Promoting the implementation of the Civil Service system

The Program will cooperate in the organization of the First National Congress of Managers of Human Resources scheduled to take place on August 17-18, 2006. As part of this activity, the Program will sponsor the participation as speaker of an international specialist on civil service implementation. It will also co-organize other encounters for him with key public decision makers.

Addressing systemic government deficiencies at the Ministry of Economy and Finance

In response to a specific request, the Program will consider participating in a restructuring process of the Ministry of Economy and Finance to set up clearer procedures across all its sub-units. The Program will jointly define with USAID/Panama the scope of its participation on this activity.

LLR 2.1.5: Initiatives to reduce petty corruption (solicitation of bribes) developed and implemented

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR 2.1.6: Key oversight agencies strengthened

Strengthening the government auditing function

The Program will follow up on the *Contraloría*'s response to a specific proposal intended to revive many of our joint pending activities. The proposal includes three major initiatives that would be carried out by the Program's full time staff and a recognized international specialist, namely: 1) Updating government auditing standards; 2) Simplifying planning, execution and communication procedures; and 3) Training external and internal auditors in three basic subjects: Financial Auditing, Performance Auditing and Internal Controls.

Continued support to the Attorney General's Office

The Program will continue working along with the Committee responsible for monitoring the restructuring process of the Anti-corruption Public Prosecutors' Offices. It also expects to launch a Certificate Course on the investigation and criminal prosecution of corruption, and holding a regional workshop of Attorneys General on the investigation of corruption and recovery of ill-gained assets.

B. Sub IR 2.2: Increased devolution of responsibilities and resources to the local level resulting in greater responsiveness by local governments to citizens' needs

LLR. 2.2.1 Improved decentralization policy framework.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR. 2.2.2 Improved local government budget transparency and accountability standards in selected municipalities.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

C. Sub IR 2.3: More opportunities for citizen participation in and oversight of national government decision-making

LLR 2.3.1: Strong civil society participation and oversight

Supporting Civil Society involvement in anti-corruption activities

The Program will continue supporting Alianza Ciudadana's project to monitor compliance with the recommendations issued by the Justice Reform Commission. For instance, Alianza Ciudadana is expected to organize public discussion forums to closely assess the proposed Criminal Code and Criminal Procedures Code. Furthermore, it will launch a website to monitor judicial proceedings on high-profile corruption cases and will draw attention to new

prerogatives bestowed upon GOP officials, such as a bill that would exclude the Attorney General's Office from investigating wrongdoing from Congressmen/women.

LLR 2.3.2: Clear leadership role and ethical standards for the private sector

Broadcasting short-subject films on anti-corruption

In connection with its public outreach activities, the Program will encourage FETV to broadcast film vignettes that depict the causes and consequences of corruption in daily life.

Promoting financial and technical contributions from the private sector to the fight against corruption

The Program will assist private sector entities in completing and submitting good governance and anti-corruption initiatives for approval of USAID's Global Development Alliance.

LLR 2.3.3: Capacity of the media to report on transparency and corruption issues increased

In accordance with the Mission's priorities, the Program does not anticipate conducting direct technical assistance and/or training activities to increase the capacity of the media to report on transparency and anticorruption issues. Nevertheless, in a future stage of *Alianza Ciudadana's* project (see "LLR 2.3.1 Strong civil society participation and oversight"), a web based site will be launched to promote cooperation between the media and civil society to monitor judicial proceedings on high profile corruption cases.

D. Sub IR 2.4: Accountability of Elected and Appointed Officials Improved.

LLR. 2.4.1 Political Party and elected leaders accountability improved.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

LLR. 2.4.2 Improved government ethics and disclosure of assets of public officials and candidates for public office.

In accordance with a new budget scenario and the ensuing Mission's priorities—ratified by the revised scope of work of RPTOP 520-P-06-035—the Program will concentrate on the execution of activities under other LLRs where its contributions are expected to have the most impact.

II. Administrative Update

i. DEC

No documents were submitted to the Development Experience Clearinghouse this quarter.

El Salvador

Introduction

This quarterly report covering the period April 1 to June 30, 2006 is being presented by Casals & Associates, Inc. (C&A) in compliance with both Contract DFD-I-00-03-00139-00 and Task Order No. DFD-I-03-03-00139-00, Central American and Mexico (CAM) Transparency, Anti-corruption and Accountability Program.

I. Technical Update

Following is an overall summary of the highlights by Strategic Objective (SO) and Intermediate Results (IR) and a description of key activities conducted by the Transparency and Governance (TAG) Program during this reporting period broken down by Sub Intermediate Results (Sub IRs) and Lower Level Results (LLRs)

i. Key Activities by Sub IR and LLR for the Quarter

SO: Ruling Justly: More Responsive, Transparent Governance

IR 1 – STRENGTHENED RULE OF LAW

Sub IR 1.1: Improved Transparency and Efficiency of Judicial Processes

LLR 1.1.1: Promote transparency, efficiency and understanding of judicial processes

During this reporting period, the TAG Program dedicated time and effort to activities listed in the current work plan, taking advantage of opportunities and intensifying its contacts and consultative dialogue with different actors of government, civil society, business sector and international donors, concentrating mainly on activities to support transparency in the judicial system, strengthening civil society and public awareness.

Compared Experiences on Transparency and Judicial Monitoring: The TAG program held conversations with CSO *Probidad* and Due Process of Law Foundation (from Washington D.C.) to organize a forum on *Compared Experiences in Transparency and Judicial Monitoring* which took place on July 5th, aimed to sharing different ideas on the initiatives of transparency and monitoring of the judicial system in El Salvador. There were representatives of governmental institutions such as the CNJ and CSJ along with civil society organizations including IDHUCA, PROTEJES and FUSADES. There was confirmation of the advances of the regional investigation of "Evaluating the reality of the judicial corruption and problems to address in Central America and Panama". This is an activity being coordinated by the DPLF. At the same time, this activity is to stimulate the sharing of knowledge among those initiatives and its projection in Central America.



Justice Sector Conference on Governmental Accountability: At the request of USAID and in coordination with the Public Affairs Office of the US



Embassy, on June 29th, the TAG Program, supported jointly by the coalition “Pro Transparency and Judicial Excellence in El Salvador” (PROTEJES), held a conference on governmental accountability delivered by Mr. Robert Barker, PhD professor of Constitutional Law from Duquesne University School of Law, Pittsburgh, Pennsylvania, who was in the country assisting the Inter-American Bar Association Annual Conference. Professor Barker, holds a wide experience in various Latin-American countries as speaker and legal consultant and has published several books on different Justice Sector related topics.

During the opening Mr. Carlos Guerrero, Director of the TAG program, presented a brief summary of the program’s general framework, emphasizing two subjects directly related to the conference: Transparency in the Justice Sector and Public Sector Accountability in El Salvador. During Professor Barker’s presentation, he stated that the periodic rendering of accounts of government officials should be a regular practice based on an appropriate separation of powers, judicial review and independence. From Professor Barker’s point of view, the conditions necessary to increase governmental accountability in El Salvador already exist.

To close the event, Mr. Francisco Diaz, Executive Director of PROTEJES, outlined the differences between the two judicial systems of El Salvador and the United States; indicating that in El Salvador there are legal resources in place for governmental accountability at the National Assembly, Supreme Court of Justice, Attorney General’s Office, Court of Accounts etc.

A series of questions and answers concluded the event.

Preliminary discussion for technical assistance to the National Judicial Council (*Consejo Nacional de la Judicatura (CNJ)*): During the reporting period, several meetings were held with this institution to discuss feasible avenues for technical assistance that could be provided by the TAG Program. Mr. Efrain Campos, Council Member of the CNJ and liaison of the CNJ with the Program, expressed interest in supporting the design of practical modules for the School of Judges, in the areas of National Budget Execution; Public Procurement Law; Inter-American Convention against Corruption; United Nations Convention against Corruption; and the new Government Ethics Law. He also expressed interest in technical support for the design of an Opinion Poll (barometer) inside and outside the institution, similar to the experience in Spain, as well as the Strategic Institutional Plan with components of transparency such as citizen participation, accountability, and access to Information.

Promoting Compliance with the Inter-American Convention against Corruption in the Judicial System: The Program developed two fora with judicial officials to commemorate the tenth anniversary of the Inter-American Convention against Corruption (ICAC). The fora *“The fulfillment of the obligations derived from the Inter-American Convention against Corruption in El Salvador”*, were carried out on June 7th and 9th, in the cities of San Salvador and San Miguel. Approximately 150 judicial officials from various courts around the country participated in these meetings. For these events, key-note speaker Mr. Miguel Peñailillo, a Chilean jurist expert on international anticorruption legislation, was brought by the Program to El Salvador to provide a conceptual, comparative and illustrative analysis on the ICAC and its fulfillment and impact in Latin America. Mr. Peñailillo’s presentations, which derived from his job experiences in governmental entities, civil society organizations and multilateral

institutions, were used as input to generate discussions on the application of the Convention in El Salvador.

The aims of these activities were to increase the knowledge on the ICAC and to open a space of analysis of the successful advances and challenges on its implementation in El Salvador. During these fora, at San Salvador and San Miguel the judges worked in groups to identify some areas inside the justice system in which, in a practical way, the commitments of the convention and mechanisms to promote transparency could be applied. As a result of the analysis, most agreed on proposing that judges file its assets declarations to the *Sección de Probidad* of the Supreme Court of Justice, despite the fact that under the Law of Illicit Enrichment judges are not obliged to declare their assets patrimony at the time of taking and concluding their appointments. Judges expressed that it would be a sign of transparency to file such declarations.



During these fora, besides the key-note speaker's presentation, Mr. Abraham Abrego from *Probidad* commented on the civil society's report on the ICAC presented to the Organization of American States (OAS) in March 2005. This presentation exposed some opportunities of civil society's participation contemplated under the Mechanism of Follow-up of the Convention, and how transnational bribe, stipulated in the article VIII of the ICAC, and its relation with the legal Salvadoran context was included.

TAG Program participates in the XLII Inter-American Bar Association Conference (IABA): "The Rule of Law and Free Trade": The XLII Inter-American Bar Members Conference was held in San Salvador from June 19th to June 23rd. The TAG Program team took part in one of the meetings and workshop of the conference in which the main topic was corruption and money laundering. Some of the topics discussed during the session were corruption and the lack of access to Justice in Central America; the complementarities among multilateral conventions against corruption, such as the ICAC and UNCAC (United Nations Convention against Corruption); the role of the Financial Intelligence Units and the money laundering fight in Central America; and public officials' immunity in Latin America among others

During the workshop, some of the conclusions were to promote the signature and ratification of the UNCAC by those governments that haven't done so, and also to promote the full implementation of the ICAC commitments; urge the Ad Hoc Workgroup on Corruption and Money Laundering to develop an action plan for the members of the IABA to take positive steps in order to ensure that governments continue implementing both Anti-corruption Conventions. Such steps should include, whenever possible, preparation of law proposals, cooperation between governments, assurance that anti-corruption agencies and attorneys' offices have accurate training and resources to develop their functions, and the development of monitoring mechanisms of the implementation and fulfillment based on the model of the Mutual Mechanism of Evaluation used for the Inter-American Convention.

IR 2: Greater Transparency and Accountability of Governments

Sub Ir 2.2 Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens Needs

LLR 2.2.1 Improved decentralization policy framework

The TAG Program continued to work in this LLR, promoting and supporting more participatory and transparent local development processes.

Promoting the National Enabling Environment to increase Local Government Level Responsibilities, Resources and Decision- Making.

As stated in the previous reporting period, during this quarter the TAG program supported efforts of two important national processes of the institutional agenda of the *Comisión Nacional de Desarrollo Local (CONADEL)*⁵:

1.- Support the design of a proposal for “Local Development Financing through municipal property tax”: The TAG Program, working jointly with CONADEL and the donor network (*Red de Cooperantes para el Desarrollo Local- RECODEL*), is supporting the design of a proposal of a new plan for municipal property tax law, as well as a new alternative for distributing the funds transferred by the central government to the local governments .

Such process will be accompanied by a consultancy in order to analyze and review the legal and municipal framework and support the design and/or reform of the current legal framework for a new municipal property tax law. Additionally, the TAG Program plans to seek input from various actors of civil society, local governments, and the private sector to validate its findings and results and to disseminate this proposal

During this quarter, the TAG Program worked with *CONADEL* and *RECODEL* to define the terms of reference and the needs for this upcoming consultancy. Later, with the corresponding approval from USAID, the consultant to carry out this activity was selected.

2.- Forum on Municipal Property Tax: Challenges and Concerns

On April 27th the TAG Program supported a roundtable discussion about Municipal Property Tax: Challenges and Concerns. This activity was organized jointly with the *Universidad Centroamericana José Simeon Cañas (UCA)*, the Lincoln Institute of Land Policy from Cambridge, Massachusetts and RECODEL.

The aim of this meeting was to discuss the implication of a property tax and the lessons learned on opportunities and challenges. About 30 representatives from different sectors took part in this meeting, including CONADEL, RECODEL, Lincoln Institute, UCA and other civil society organizations.

Strengthening the decentralization policy framework: CONADEL, with the support of RECODEL, started a consulting process to prepare the National Decentralization Policy and establish the basic elements for consensus on the mechanisms, tools and legal framework to implement. Based on the commitment to support this government entity, the TAG Program

⁵ CONADEL membership is made up of representatives from the Ministry of Finance, political parties represented in the National Assembly, the National Association of Municipalities (COMURES), the Municipal Development Institute (ISDEM), business organizations (represented by ANEP) and the Local Social Investment Fund (FISDL).

participated in various meetings with other donor institutions such as UNDP and GTZ to provide input and comments. The results of this national meeting will be presented to CONADEL during the next two months, and, based on these results, the program will identify the areas of support that are more related to the TAG objectives. To facilitate the work of this consultancy, the program, with the proper authorization from USAID, allocated an office and logistic resources on the Program's premises for a high-level consultant to work and serve as a liaison of CONADEL and the TAG Program. The main duties of this consultant are to implement a "new" CONADEL, to coordinate and monitor the 3 consultants to work on local development financing (including one legal consultant paid by the Program), and to support the national decentralization policy of CONADEL.

Likewise, to make the most of the consultant's knowledge at the local level, a consulting mechanism has been established for developing Program activities.

Enhancing Local Government Capacity to Undertake current and any Future Responsibilities in a more Transparent Manner.

The TAG Program worked intensively on the following strategic activities:

Implementation of a Rapid Assessment to analyze the current Municipal System of Transparency in El Salvador:



Continuing its work to strengthen the legal and institutional framework to promote transparency at the local level, the Program decided to conduct a rapid assessment to analyze the current Municipal System of Transparency and compile information on a series of tools to promote transparency and citizen participation in local governments developed and implemented by various donors, including USAID.

Once the national expert was hired, the rest of the team was assigned the work to produce a programmatic framework to help operationalize Title IX on Transparency and Citizen Participation of the new Municipal Code to be used by other governmental and non-governmental institutions such as CONADEL, National Association of Municipalities (COMURES) and FUNDE, including other donors.

Because the local elections were conducted during this period, conversations are still underway with COMURES to explore potential areas of collaboration, especially in the areas of training in ethics and transparency and leadership to the new Executive Board of COMURES. It is expected that this training will be applied to other sectors within COMURES, such as municipal civil servants and newly elected council members and mayors.

On May 1st the Rapid Assessment work officially began with the hiring of a local municipal expert Mr. Marco Rodriguez, to serve as technical support to the TAG team in charge of this task. The main products expected from this work are: a basic inventory of tools and experiences developed in the country related to citizen participation and transparency; a methodological tool proposal to evaluate the advances in the field of municipal transparency; and, a programmatic proposal with consensus to implement the Title IX of the new Municipal Code regarding citizen participation and transparency. To achieve these objectives, the

technical team will prepare a work plan and a list of tasks for the investigation. The Program will also carry out an examination, analysis and compilation of a variety of national and international documentation on the topic, prepare the basic framework for the research and distribute, collect and process 262 survey forms on citizen participation and transparency in the local government.

Several meetings with different entities took place during the course of this research. Among those were: COMURES, Court of Accounts, (*Corte de Cuentas de la República*), Municipal Development Institute (ISDEM), Technical Secretary of the Presidency, Salvadoran Chamber for Construction and Industry of El Salvador (CASALCO); Municipal Affairs Commission of the National Assembly, composed of the main political parties like ARENA, FMLN, PCN, PDC, CD.

Various workshops were held to collect information and receive valuable input on challenges and obstacles of transparency from very important institutions that include COMURES, Local Social Investment Fund (FISDL), Court of Accounts (*Corte de Cuentas de la República*), Local Development NGO network, ISD and PROBIDAD. Additionally, various meetings with interdisciplinary groups were held to evaluate the investigation results. At the end of this reporting period, 75% of the task was completed and it is expected that the work will be finalized during the course of the next quarter.



Sub IR 2.3: More Opportunities for Citizen Participation in and Oversight of National and Local Government Decision-Making

LLR 2.3.1: Expand opportunities for civil society participation in an oversight of national and local decision-making processes.

Civil society acquires knowledge on ICAC: On June 8th, in lieu of the of ICAC tenth anniversary celebration, representatives of a group of ten organizations took part in a discussion about the implementation of this juridical instrument.

The main objective of the meeting was to generate a discussion and create awareness for civil society participation in the follow-up and implementation of the Convention. This analysis was focused mainly on the advances, setbacks and principal findings of the reports that both the Government and civil society of El Salvador prepared on the implementation of number 11 of article III of the ICAC in 2005.

The participating organizations in this activity were: UCA's Department of Political Sciences, Social Initiative for Democracy (ISD), Salvadoran Foundation for the Economic and Social Development (FUSADES), Foundation for the Study of the Social Sciences (FUDECOS), UCA's Human Rights Institute (IDHUCA), Probidad, Doctor Guillermo Manuel Ungo Foundation (FUNDAUNGO), Promoters' for the Health Association (ASPS), Foundation of Studies for the Law Application (FESPAD) and Maquilishuat Foundation (*FUMA*)

During this meeting, Mr. Peñailillo made a thoughtful evaluation of the fulfillment of the ICAC by the Salvadoran government, enlightening civil society on the opportunities to monitor the implementation of the convention's commitments.

Strengthening CSO capacity to be effectively involved in anti-corruption and transparency activities: The TAG Program has identified a group of organizations interested in fostering a coalition forum to analyze and discuss practical actions to improve transparency and accountability. This group known as *Anti-corruption Forum (Espacio Anti-corrupción)*, promoted by the CSO *Probidad*, is integrated by approximately fifteen organizations. They meet once every month and discuss different technical and organizational aspects, especially on how to coordinate common efforts and maximize their participation and impact. They also identify the main lines of action. One of the unique qualities of this group is that it's integrated by organizations that did not work traditionally on anti-corruption issues but are highly motivated to incorporate this topic in their line of work. During this quarter, the TAG Program attended two of their meetings and provided logistical support in the organization of these events. The potential to be established as a transparency coalition is high. The Program will keep exploring possibilities to support their efforts by providing guidance and by closely monitoring this group's efforts.



Increase anticorruption coordination with business organizations: On June 6th, with the aim to involve the main business organization in El Salvador and create awareness of the ICAC, the TAG Program organized a forum with *Asociación Nacional de la Empresa Privada (ANEP)* to discuss and analyze the implication of the Convention in the private sector on topics such as conflict of interest, ethics and public procurement. At least 20 representatives from different member organizations of ANEP attended the meeting, providing these Salvadoran businessmen with the opportunity to learn and understand the importance of promoting transparent and accountable practices in the private sector.

This discussion was supported by a presentation by Chilean lawyer Miguel Peñailillo, who exposed the relationship between the Convention and new juridical instruments (such as the Ethics Law, Procurement Law (LACAP), municipal decrees etc.).

Round table discussion with civil society organizations on Governmental Accountability: Taking advantage of the presence in El Salvador of Dr. Robert Barker, Professor of Duquesne University School of Law in Pittsburgh, Pennsylvania, and at the request of USAID, on June 26th a roundtable discussion was held on the Program's premises with several civil society organizations. The subject presented and discussed with Professor Barker was Governmental Accountability and how in the United States, the Supreme Court plays an important role regulated under the US Constitution. He emphasized that it is an obligation of any government to periodically render accounts to the citizenry, emphasizing the need of separation of powers, principle of subsidiary, the independence of the Judicial Power, and the Judicial Review. All these conditions allow for the system of checks and balances to work in such way that accountability operate in a vertical form. He also mentioned that in the US, American citizens have the resources to judge the performance of their elected official

during the electoral campaign when re-election is at stake for the Representative's Chambers, Legislatures of States, and Municipal Councils.

Civil Society Sub-Grant Initiative: After launching the first invitation for the Sub-Grants Initiative, during this reporting period the team was intensively involved in managing the process of the reception, evaluation and pre-qualification of all proposals submitted by CSOs. To ensure transparency, equity and accountability of the process, for each phase of the process a system of control and evaluation was put in place and systematically implemented as follows:



Evaluation and Selection Process: To guarantee transparency and equity during the process, a Reviewing Committee was formed. This Committee was composed of the director, deputy director, three technical experts, a financial manager and a legal advisor of the TAG Program. Clear procedures for the opening, verification and prequalification of proposals were outlined, including rules on how to proceed in case of conflict of interest with any member of the committee.

The official opening of the 37 envelopes containing 40 proposals was carried out according to the established guidelines. At the end of the prequalification phase, the Reviewing Committee agreed to disqualify 23 proposals which did not comply with all requirements, pre-qualifying only 17 for reading and technical evaluation processes.

Reading and Evaluation of pre-qualified proposals: After the pre-qualification of 17 proposals, each member of the Reviewing Committee read and evaluated the technical and financial proposals for each of the 17 organizations. The criteria points score for this evaluation was as follows: Technical Proposal 55, Proposed Staff, Skills & Experience 10, organization's capacity and experience 15 and Financial proposal 20, totaling 100 points.

During the first round of discussions of each proposal, each member expressed his/her comments on the technical and financial aspect of the proposal. At the end of the discussion of a proposal, each member of the committee announced the point score awarded to each of the categories. All scores were tabulated in a computer spreadsheet and later ranked from the highest to the lowest score.

At the end of the process of reviewing proposals, only 8 proposals were qualified to be submitted to USAID for feedback and approval. In a subsequent meeting with representatives from USAID, the proposals were discussed and the Program is in the process of officially submitting a request for approval of these qualified proposals.

It is valuable to note that 50% of the proposals received were disqualified for not meeting the minimum requirement of cost share established in the Terms of Reference. Of the 17 pre-qualified proposals, 9 were related to the local government sector, 6 to Civil Society and 2 to the Justice Sector. Only 9 out of the 37 proposals were from outside of the San Salvador metropolitan area.

Sub IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1 Accountability of elected leaders improved and ethical values promoted more efficiently

Rapid Assessment on Internal Control at the Public Defender's Office: Following the previous report, the TAG Program concluded the rapid assessment on Internal Control of the Public Defender's Office (PGR). The aim of this study was to single out the problems for a proper implementation of an internal control system in the PGR and how these obstacles impede greater transparency practices.

Through the interview of about 50 public officials, valuable information on the functioning of the internal control, ethics and transparency inside the PGR was collected and compiled. Some of the results of the research were: low conceptual and technical knowledge of the subject of internal control; particular corruption opportunities in the administration of Alimony Payments, recruitment of personnel, procurement of goods and services, and unlawful charges by some public defenders responsible for penal cases, on services provided freely by the PGR. This assessment was submitted to USAID for review and feedback and the finding identified during the assessment could serve as reference for a possible technical assistance to the PGR.

Office of the Attorney General: The TAG Program has been interested in supporting efforts of this key institution, specifically in reference to its Anti-corruption Unit. Following the appointment of the new Attorney General at the end of April, the TAG Program continued the conversations to discuss possible avenues of cooperation with this government entity. Although the Program was not able to meet with them before USAID pays a visit to the new Attorney General, the dialogue continued with lower level technical personnel. During these discussions, the Program identified the Anti-corruption Unit (*Unidades de Fiscales de Anti-corrupción*) as the area to strengthen, and is currently exploring avenues of assistance to this unit, to analyze its strengths and weakness and to define mechanisms for more efficient and transparent processes. One of the issues that were considered by the technical personnel as a priority was the establishment of a monitoring and evaluation system for the myriad of corruption cases that the institution processes, as well as specialized training for the officials of this institution.

LLR 2.4.2: Accountability of appointed officials improved

Consumer Protection Agency: Citizenry Letters of Rights from Public Services Providers: The Consumer Protection Agency, a governmental entity created to defend the rights of consumers, has submitted a request for technical assistance to the TAG Program to promote transparency, accountability, clear rules, citizen participation, and access to information. The aim of this request is to create and implement new *Citizenry Letters of Rights from Public Services Providers*, which is a public document that defines rights and obligations about the services provided by a particular institution to the general public.

The *Citizenry Letters of Rights from Public Services Providers* has common objectives with the TAG program in keeping citizens informed of their rights and obligations regarding public service delivery, as well as to promote citizen participation, improvement, efficiency and transparency during the administration of public services by governmental entities. In addition, its aim is to increase accountability of governmental institutions strengthening consumer's trust in public institutions.

Several meetings were held with the representatives of the agency to discuss and define a more specific scope of work of this request and to streamline the original activities into more practical and feasible tasks and objectives. During this exercise, some issues were identified as key elements like standardization and mechanisms of services, proper compensation to citizen due to lack services provided, education of citizens about their rights and obligations, and a public awareness campaigns on the use and application of these Citizenry Letter of Rights.

It is expected that implementation will begin next quarter after obtaining concurrence from USAID.

The newly approved Government Ethics Law: After five years of discussing this draft, on May 18th 2006, as result of social demand and the interest of different national and international organizations, the National Assembly approved the Government Ethics Law.

According to this Law, a Government Ethics Tribunal must be formed with 5 members selected by the National Assembly, Executive Power, Supreme Court of Justice, Court of Accounts, and the Public Ministry correspondingly.

The Program believes that the conformation of this Board is of fundamental importance to the successful implementation of this Law. In this sense, and in cooperation with other international and civil society organizations, the Program is promoting that the selection of these Board members be done taking into consideration the qualities and exceptional profile seeking the highest level of individuals for its members. To prevent the political manipulation of this selection, the Program is holding conversations with some key CSOs to promote that the selection of best qualified individuals be based on their proven record and reputation.

Once this Government Ethics Tribunal is in place, the Program plans to work closely with these officials and provide technical assistance in the enhancement and proper establishment of this office, providing training and sharing good experiences of other countries in the region with similar organization as is the Office of Government Ethics in Puerto Rico.

ii. Other Activities

Transparency International Conference in Guatemala: The Program is preparing for the participation of some members of its staff and representatives of governmental and civil society institutions in the 12th International Anticorruption Conference (IACC) which has as its theme: "Towards a Fairer World: Why is corruption still blocking the way?" This conference will be held in the cities of Guatemala and Antigua Guatemala from November 15th to November 18th, 2006. The Program expects to sponsor the participation of at least 20 Salvadorans in the Conference.

Meeting with FUNDEMAS: On June 26 the TAG Program held a meeting with the Executive Director of FUNDEMAS to discuss possible avenues for cooperation between the Program and this entity. They expressed interest in areas like Social Responsibility for Business (RSE), Ethics, Governance, and Public Policy. The importance of the adoption of a Code of

Ethics for the business sector was also mentioned. This code would be monitored periodically from its implementation and would be adapted to the needs and reality of the business enterprise. FUNDEMAS might present a proposal under the TAG small grants program.

Forum of FUSADES: The TAG Program was invited to participate in the event "The Relations between the Executive and Legislatively Powers" organized by the Department of Legal Studies of the Salvadoran Foundation for the Economic and Social Development FUSADE, together with other 250 attendees, to discuss issues related to government accountability and its mechanisms to improve better dialogue among these Powers. Several high level government officials and scholars composed the panel of discussion. FUSADES promoted discussion on issues like the existence of favorable conditions for dialogue between the Executive and the Legislative branches. Other items of discussion included: the importance of mutual respect among state powers and transparency in access to information; the system of check and balances in the democratic system to avoid abuse of power and what mechanisms can be put in place at the National Assembly to make communication between commissions and governmental agencies more efficient.

Resource and Documentation Center

The building of this Resource and Documentation Center continued, more documents and materials have been collected and the Program started receiving visitors to review materials and request valuable information contained in this specialized library. There are about 250 publications and documents including videos and electronic media files. An informative brochure is being prepared and a launching event will take place during the course of the upcoming quarter.

iii. Achievements and Obstacles

The TAG Program increased its activities intensively to comply with the tasks outlined in the current work plan. Principal achievements were:

- Important and strategic advances in promoting the importance of the use and implementation of various transparency tools, already in place in various local governments. About 75% of the data has been already collected on the existing tools in the country.
- Knowledge on transparency, accountability and anti-corruption issues increased through the various interviews, workshops, roundtable discussions and meetings carried out by the TAG Program, with municipal authorities and local government institutions representatives such as COMURES, Court of Accounts, ISDEM, representatives of the Legislative Commission of various political parties like ARENA, FMLN, PCN, PDC and CD.
- The support to the Forum of Local Development Financing through Municipal Property Tax (*Impuesto Predial*), and in coordination with the Lincoln Institute of Land Policy, the UCA and RECODEL, the Program encouraged discussion within CONADEL towards seeking new mechanisms of municipal tax to strengthen local development in El Salvador. as the Program also generated interest from ANEP (National Association of Private Enterprises) who asked for a private meeting with the representatives of Lincoln Institute to learn of their experiences.

- Because of the permanent dialogue and the logistic and technical support currently being provided to CONADEL, the Program maintained an excellent relationship with this very important key actor in the local governments arena.
- Excellent response received from the CSOs to the First Round of the Small Grant Fund announcement. 62 organizations requested the Terms of Reference and 42 submitted proposals.
- Close cooperation between the Program and a group of CSOs interested in creating a Transparency and Anti-corruption Coalition.
- Close cooperation with a newly formed justice sector coalition PROTEJES to promote transparency in the justice system.
- Greater openness from some governmental organizations like the National Judicial Council, Public Defender, Attorney General, Supreme Court of Justice, Consumer Defense Agency and others, to receive the TAG Program's technical assistance.
- The PGR assessment conducted by the Program on the institution's internal control is generating greater interest in incorporating a new Action Plan.
- The strengthening of the Judicial Sector in regards to the Inter-American Convention against Corruption and the State obligation to comply with this international convention.

During this reporting period, the TAG Program faced the following obstacles:

- The Program identified a critical lack of conceptual knowledge of the civil society organizations to handle issues of transparency and accountability, especially in the preparation of proposals and the implementation of activities.
- Low participation and coverage of TAG Program activities promoting transparency and accountability issues by the media.
- Lack of interest government entities to disseminate and enforce new approved laws, such as the New Municipal Code and the Government Ethics Law.
- Uncertainty of personnel due to the administrative and financial adjustments of the Program.

iv. Planned Activities by each Sub-IR and LLR for the next Quarter

Following is a projection of some of the tasks and activities that the program anticipates conducting during the upcoming quarter:

Sub IR 1.1: Improved Transparency and Efficiency of Judicial Processes

LLR 1.1.1: Promote transparency, efficiency and understanding of judicial processes

Defining course/curriculum for the School of Judges at National Judicial Council (CNJ)

In lieu of the starting of the new academic period at the School of Judges, the Program anticipated assisting the CNJ technical staff, defining and incorporating curriculum modules of Transparency, Anti-corruption, Accountability and the Inter-American Convention against Corruption to the list of courses at the school.

Review and generate base-line indicators for the CNJ

The work to review options to obtain base-line indicators to pin-point areas lacking transparency and efficiency in the judicial process is planned to be carried out during the coming reporting period. The program has held preliminary discussions with representatives of the *Consejo General del Poder Judicial* of Spain and the CNJ to assist in this task.

IR 2: Greater Transparency and Accountability of Governments

Sub IR 2.2 Increased Devolution of Responsibilities and Resources to the Local Level Resulting in Greater Responsiveness by Local Governments to Citizens Needs

LLR 2.2.1 Improved decentralization policy framework

Promoting the National Enabling Environment to increase Local Government Level Responsibilities, Resources and Decision- Making.

Local Development Financing through Municipal Property Tax

Under with the process of providing technical assistance to CONADEL in its interest to obtain a draft of a Property Tax Law, the program will continue supporting this effort through the consultancy of a legal expert hired by the project for this objective.

Rapid Assessment to analyze current Municipal System of Transparency

The program envisions finalizing this work through a series of validation sessions with key actors, additional analysis of the data and disseminating its findings throughout the various local government partners and institutions.

Peace Corps Volunteers Local Government Monitoring

To strengthen the work of evaluating and monitoring the transparency done a the local level, the program plans to approach the representatives of the Peace Corps Volunteers to explore possibilities to utilize this resource, for monitoring and feedback of various municipalities across the country where this volunteers are located, as well as to provide them with mainstream training in transparency and accountability to improve the volunteers' capacity of monitoring.

Sub IR 2.3: More Opportunities for Citizen Participation in and Oversight of National and Local Government Decision-Making

LLR 2.3.1: Expand opportunities for civil society participation in an oversight of national and local decision-making processes.

Strengthening Civil Society knowledge of the ICAC

The Program plans to continue its efforts to disseminate the importance of the ICAC and will conduct a series of workshops and roundtable discussions with key civil society institutions like FUSADE, FUNDE, PROBIDAD and others, to discuss the Inter American Convention against Corruption.

Civil Society Sub-grant Initiative

During the upcoming reporting period, the program will finalize the process of awarding the first grants to those organizations that submitted qualified proposals, and will launch a new invitation for a second round of proposals. The process of implementation of those awarded proposals is also planned to be carried out during this next reporting period.

Support to the formation of a Civil Society Transparency Coalition

The program will continue its efforts to support the formation of a CSO coalition that is already underway, by the initiative of various local NGOs. Based on some components of the consultancy done by Partner's for Democratic Change (PDC), the program will develop a strategy plan to strengthen this initiative. Similar work will be applied to the justice sector coalition PROTEGES and other coalition initiatives that are emerging.

Formation of a Donor Forum for Transparency

In collaboration with other international organizations, the program will promote the formation of a Donor Forum for Transparency. Already UNDP expressed interest on this, and during this upcoming reporting period, we plan to organize meetings to discuss feasible avenues for cooperation and coordination in this area with other donors and international organizations.

Sub IR 2.4: Accountability of Elected and Appointed Officials Improved

LLR 2.4.1 Accountability of elected leaders improved and ethical values promoted more efficiently

Rapid Assessment on Internal Control at the Public Defender's Office

During this upcoming period, the program, at the request of USAID, will review the PRG report and streamline the document identifying those feasible activities to provide the PRG with corresponding technical assistance.

Office of the Attorney General

After a busy period at this institution due to the political changes in the hierarchy, the Program, during this next reporting period, plans to re-take the conversations and evaluate the needs and strengths of the Anti-corruption Unit of this agency for a possible technical assistance.

LLR 2.4.2: Accountability of appointed officials improved

Consumer Protection Agency

After several meeting and discussions, final steps are underway to outline the scope of work for a technical assistance agreement that the program plans to award to this key government institution, during this upcoming reporting period.

The new Government Ethics Law

During the coming quarter, the program will work intensively in the promotion and implementation of the new Government Ethics Law, contacting key civil society organizations and agencies to insure a proper formation of the Government Ethics Tribunal and the creation of the office to administer this process under the law. The program will explore other countries experiences in this field, of particular importance is the Office of Government Ethics in Puerto Rico.

II. Administrative Update

i. DEC

No documents were submitted to the Development Experience Clearinghouse this quarter.